

**Commission of  
European  
Communities**

**Directorate-  
General  
for Economic  
and Financial  
Affairs**



**4  
1973**

## **The economic situation in the Community**

Commission of the European Communities  
Directorate-General for Economic and Financial Affairs  
Directorate for National Economies and Economic Trends  
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*This Survey is limited to an analysis of the economic situation as it appeared at the beginning of the autumn, before the oil crisis. At the present time it is not yet possible to forecast developments following this crisis, nor even to quantify with any accuracy the effects of the petroleum products supply difficulties which are now being experienced. For this reason those parts of the Survey which deal with the economic outlook have on this occasion been omitted.*





**EUROPEAN COMMUNITIES**

**COMMISSION**

**The Economic Situation  
in the Community**

**NOVEMBER 1973**

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## *Note :*

The analysis of the economic situations contained in this survey was completed around mid-November 1973. As regards the most recent developments the latest issue of the "Graphs and Notes on the Economic Situation in the Community" can usefully complete the information supplied here.

## I. THE OVERALL SITUATION

*Economic activity in the Community remained lively at the beginning of the autumn even though in a number of member countries the business upswing seems to be already past its peak. Exports to non-member countries went on expanding vigorously. The growth of domestic demand in money terms maintained its rapid pace. The propensity to invest of enterprises still increased appreciably in most member countries, and personal expenditure on consumption went up further, boosted by sharply climbing disposable incomes. The rise in new orders slackened, but in many industries their pace was still faster than that of deliveries, causing the backlog of orders to grow and delivery periods to lengthen.*

*Given the high degree of plant utilisation, production lost in elasticity. Industrial production in particular tended to slow down in several member countries. Employment rose further, but in most member countries unemployment was higher than it had been in comparable phases of past economic cycles.*

*Strains failed to ease despite increased recourse to imports, and prices continued to forge ahead. The Community's balance of trade with non-member countries deteriorated.*



## A. Short-term economic policy

The analysis of the economic situation contained in the following chapters shows that economic activity in the Community was still lively at the beginning of the autumn. The trends in demand and production, however, varied more sharply from country to country and sector to sector. Persistence of heavy inflationary tendencies was a feature common to all countries. In the months ahead the Community's economic policy efforts will therefore have to continue to be focused on the problem of inflation control.

The supply-demand relationship on many markets is still very unsatisfactory from the angle of stabilisation policy. In addition, the upward movement of costs has remained very rapid. This is particularly true of the continued sharp increase in wages. In most member countries wage costs per unit of output are even tending to accelerate owing to a slower growth in productivity. Nor are there any indications so far that world market prices for raw materials and import costs will stabilise. On the contrary, two new factors are giving additional impetus to the upward movement of prices. First, there is the considerable increase in the dollar rate which, in contrast to the trend in the spring and summer, when the tendency for the dollar to depreciate had a certain stabilising influence on import costs, now makes the price increases on international markets have a greater effect on the economies of the Community countries. Secondly, there is the price and production policy pursued by the oil-producing countries; for example, the sharply increased prices for crude oil charged by these countries are leading to a considerable rise in production costs in the Community. Since, in addition, the production cut-backs in the Arab oil-producing countries certainly entail an appreciable shortfall of energy supplies in the Community, this is bound to have repercussions on the growth of production and employment. As the trend in incomes would presumably adjust to such a situation only with a certain time-lag, demand in money terms would still grow comparatively fast while supply would be lower. This would probably be bound to affect exports and the

balance of trade of the countries of the Community with non-member countries, especially since the industrialised countries will be hit unevenly by the energy shortage. The situation in the United States and Canada is more favourable in this respect than in the Community. Further, as a result of the reduction in the consumption of petroleum products, especially petrol and heating oil, tax receipts are likely to be less than previously expected. The fight against inflation is therefore necessary not only for the reasons set out in the third annual report on the economic situation in the Community <sup>1)</sup> but also as a major contribution to safeguarding the competitiveness of the Community's industry.

At its meeting of 9 November 1973 the Council of the European Communities paid particular attention to the problems of inflation control and to the measures already taken in the Community to implement its resolution of 14 September 1973. The Council, acting on a proposal from the Commission, at the same time adopted, with minor changes, the annual report on the economic situation in the Community, and approved the economic policy guidelines for 1974 contained in this report. Consequently, reducing the inflationary pressures will more than ever have to remain the main objective of the Community's economic policy in 1974. The authorities must gear all available instruments to this objective, acting along convergent lines and with due regard for Community solidarity, so that the action initiated can be maintained and intensified.

In the budgetary field, all Member States must restrict the growth of public expenditure in the central government budgets for the new financial year and see to an appreciable improvement in budget positions. Member States' budgets still showing a deficit should be financed as much as possible by long-term borrowing; this applies in particular in those

<sup>1</sup> See the Commission proposal to the Council reproduced in Quarterly Survey no 3/1973. The final text was published in the Official Journal of the European Communities, no C 75, 19 September 1973.

Member States where monetary financing of the deficit was large in 1973. The policy of freezing liquidity through the treasury should be continued in Member States where it is already applied—mainly Germany and France—and, if possible, it should also be practised by other Member States.

It is essential that local and other public authorities should adapt their financial management to the requirements of the fight against inflation. Where necessary, the central government should use the means at its disposal to induce these authorities to cooperate.

In the monetary field, the measures taken pursuant to the Council Resolutions of 5 December 1972 <sup>1)</sup> and 14 September 1973 <sup>2)</sup> should be continued. They should be strengthened in those member countries where the money supply is still expanding too rapidly. In particular, the excessive expansion of bank lending should be curbed. In this context a high level of interest rates is still necessary, and interest rate policy must therefore be closely coordinated at Community level. To make saving sufficiently attractive, interest rates on savings deposits should take greater account of the erosion of purchasing power. In conformity with the Council Resolution of 14 September 1973, the fight against inflation must be supported by an active policy in the fields of competition and price surveillance and by a better regional distribution of new investment.

It is important that the various economic and social groups contribute to the fight against inflation by taking full account of the economic and social effects of excessive increases in money incomes and by further moderating their income and price demands.

As the struggle against inflation grows longer and fiercer, more and more attention must be

paid to seeing that the efforts and sacrifices required in the common interest are distributed fairly, protecting as much as possible the economically weaker sections of the population.

The Council, at its session of 9 November, considered that the next few months would be particularly important for the fight against inflation. It therefore decided to re-examine the situation in the Member States at its meeting on 3 and 4 December 1973 with the aim of adopting additional measures necessary to combat inflation. It did on this occasion approve a resolution relating to the fight against the rise in prices and the maintenance of a high level of employment in the Community: the text is given in the Annex to this survey. According to this resolution the Council agrees that the Member States and the Community, in order to fight against inflation and thus to guarantee the conditions essential for a high level of employment, should take urgent steps in parallel to get a strong policy working in the early months of 1974, aimed at restraining the rise in costs and prices. To this end they should especially take the measures wanted in the field of budgetary expenditure, tax receipts and the financing of the budget deficit, and should apply a monetary policy capable of helping to hold back the rise in prices in the Community. Besides specific measures relating to prices and incomes, the resolution provides that Member States will look again at the quantitative restrictions which they still apply to imports of certain products from developing countries, with a view to relaxing them. The resolution also provides that the Council will decide before the 31 December 1973 on the proposals made by the Commission relating to the application in 1974 of generalised tariff preferences in favour of the developing countries. An increase of about 40 % in the amounts covered by the system of generalised preferences is foreseen in these proposals.

In addition, it will be necessary for the situation on the energy markets to be watched very carefully so as to ensure, in the event of an energy shortage, that production and employment are affected as little as possible.

<sup>1</sup> Official Journal of the European Communities no C 133, 23 December 1972, p. 12.

<sup>2</sup> Official Journal of the European Communities no C 75, 19 September 1973, p. 1, reproduced in Quarterly Survey no 2/1973.

## B. Recent developments

### 1. The world economic situation

World economic activity has still been very buoyant recently although the acceleration in growth came to a halt in the first half of 1973. Even so world trade has maintained its very brisk expansion.

In the *United States* economic growth has settled down to a calmer pace in recent months. Provisional figures suggest that real gross national product, which had grown by 2.1 % in the first quarter, rose by 0.6 % in the second and by 0.9 % in the third. Industrial production in September-October advanced at an annual rate of some 6 ½ %.

Expansion was slowest in private consumers' expenditure. After rising very rapidly in the first quarter (by 2.5 % in real terms), private consumer spending in the second quarter showed little if any real growth. The figures available for the third quarter reflect a certain pick-up in the expansion of consumer spending, especially on non-durable consumer goods, but the total increase in real terms was probably again very moderate. This was due not only to the faster upsurge in prices, especially food prices, but also to a comparatively sluggish increase in disposable incomes. Wages in the United States have risen considerably less than in Europe. In September, average weekly earnings in industry were 7 % higher than a year earlier.

Business investment, by contrast, remained very buoyant. The propensity to invest of enterprises owed much to capacity bottlenecks, to the favourable trend in profits and, following the two dollar devaluations, obviously also to a distinct edge on most other industrialised countries where relative costs are concerned. Residential construction, which had grown very rapidly in the past two years, is now being increasingly impeded by the upward movement of interest rates and the squeeze on credit.

The production system remained under heavy strain, despite the somewhat slower expansion of demand in money terms. The degree of capacity utilisation was probably about as

high as, if not higher than, during the vigorous upswing in 1968/69. Employment continued to rise distinctly in the summer. The unemployment rate in October declined to 4.5 %.

Following the removal of the price freeze for food on 18 July and for the other products on 12 August, prices went up sharply. In October the consumer price index was 7.9 % higher than a year earlier. The improvement in the balance of trade, apparent since the end of 1972, has gathered additional momentum in recent months. In the first ten months the value of total exports rose by 39 % while the growth in imports slowed down (22 %); the result was an appreciable improvement in the balance of trade. The deficit of \$ 5,200 million in the first ten months of 1972 gave way to a surplus of \$ 680 million in the first ten months of 1973.

In *Canada* economic growth has continued in recent months, though at a more moderate pace. All components of domestic demand went on expanding vigorously and exports too climbed sharply. Employment rose further while the upward movement of prices accelerated. In September, the consumer price index was 8.5 % higher than a year earlier.

In *Japan* economic activity showed a calmer trend following very vigorous expansion in the first half of the year. This may have been due notably to the more restrictive bias of monetary and credit policy, reflected recently in the slower growth of bank lending and a general rise in interest rates. But the expansion in overall demand, especially private consumers' expenditure and investment, has still been comparatively strong. Exports too went on climbing sharply while the growth in imports maintained its rapid pace. The balance of trade showed high deficits which together with heavy exports of long-term capital contributed to a large deficit on the balance of payments. The upward movement of prices gathered additional momentum, and in October the consumer price index was 13.5 % higher than a year earlier.

In *Switzerland*, economic activity continued to forge ahead but there was increased evidence

of expansion being impeded by capacity bottlenecks and manpower shortages. In *Austria*, activity remained vigorous while inflationary pressures mounted further. In *Sweden*, expansion has continued in recent months, though somewhat more slowly had been expected at the beginning of the year; the upward movement of prices tended to accelerate. In *Norway*, growth was weaker than in most other European countries owing to a comparatively sluggish trend in investment and consumption. In *Spain*, demand and production climbed rapidly.

Certain indicators suggest that the tendency for imports by the *developing countries* to accelerate, apparent since the fourth quarter of 1972, has continued in recent months. It reflects, with a certain time lag, the improvement in their foreign exchange reserves. Helped by a number of favourable factors, their export earnings have indeed gone on climbing vigorously. Demand from the industrialised countries for raw materials and semi-manufactures was still very lively. In addition, the sharp upsurge in raw material prices under way since the autumn of 1972 has so far continued almost unabated. At the end of October, the Reuter and Moody indices were up 74 % and 44 % respectively on a year earlier. In addition, the oil producing countries sharply raised the prices of crude, not included in the two indices.

## **2. The economic situation in the Community**

At the beginning of the autumn the Community's economy was still booming, but the differences in the trend from country to country and sector to sector had increased. In Italy, for instance, the growth of activity accelerated while in Germany there are indications that the upswing has passed its peak. The persistence of inflationary tendencies, however, is a feature common to economic trends in all member countries.

### **a) External demand**

*Exports* to non-member countries continued to expand vigorously, despite the appreciation

of most Community currencies. In this they were aided by the upswing of demand in the industrialised countries outside the Community. The only exception were exports to the United States, which remained virtually stationary. In addition, the growth of deliveries to developing countries gathered additional momentum. Exports to the state-trading countries also pointed distinctly upwards, helped by the liberalisation of trade and by bilateral agreements.

### **b) Internal demand**

Internal demand likewise provided considerable stimuli to economic activity. The growth of *gross fixed asset formation* in particular remained very vigorous. The main factor here was the high propensity to invest of enterprises, which in almost all member countries seemed to be revising their investment plans upwards. The high degree of capacity utilization has encouraged investment in plant extension, and the sharp rise in labour costs has made it imperative to put into operation new and more efficient plant. In addition, the availability of finance to enterprises does not yet appear to have been seriously restricted. Profits in almost all member countries rose in the first half of the year, despite the price controls introduced or tightened by various governments. The restrictive credit policy has probably not yet had any significant inhibiting effect on business investment. A major exception is Germany, where the propensity to invest of enterprises has distinctly deteriorated since the summer, owing to the monetary and fiscal curbs.

Investment in *stocks* of raw materials and basic materials maintained its upward tendency.

In the field of *construction* investment the growth of demand for industrial and commercial buildings has hardly slackened so far. Investment in residential construction, on the other hand, slowed down, especially in Denmark, Germany and the United Kingdom, where restrictive policy was increasingly working through to residential construction. Public investment in most member countries still rose only slowly, especially if allowance is made for the effect of price changes.

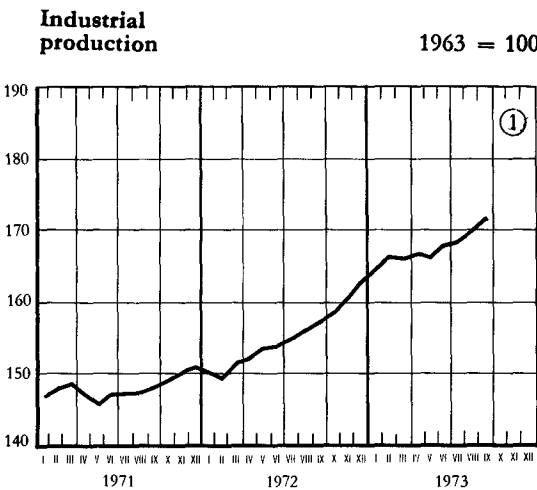


Private consumers' expenditure in the Community as a whole has maintained its lively growth in recent months. The increase was aided by the continued rapid rise in disposable incomes, especially wage incomes. In the third quarter, the year-to-year advance in wages ranged from 10 % to 25 %, depending on the country. Welfare payments also continued to grow vigorously. Lastly, the savings ratio tended to decline in several member countries, presumably because of the persistence of inflationary expectations.

c) *Production, employment and imports*

The growth of domestic production in the Community slowed down a little in the summer and at the beginning of the autumn. This slowdown, which sometimes was accompanied by a lengthening of delivery periods, was due mainly to the declining elasticity of industrial production resulting from the high degree of

utilization of plant capacity, and often also from a shortage of suitable manpower. Here and there the growth of production was also hampered by labour disputes; in addition, the



summer holidays are having more of an impact every year. Especially in Germany in-

*Industrial production<sup>1</sup>*  
(% change on corresponding quarter)<sup>2</sup>

	1971		1972				1973		
	III	IV	I	II	III	IV	I	II	III
Germany	- 0.6	- 2.3	+ 3.8	+ 0.6	+ 2.0	+ 3.5	+ 3.3	+ 0.5	+ 1.0
France	+ 3.1	+ 3.1	+ 1.1	+ 1.0	+ 1.3	+ 4.0	+ 3.9	- 0.7	+ 0.1
Ireland	- 1.0	+ 3.9	0	- 0.9	+ 2.8	+ 4.6	+ 7.0	.	.
Italy	- 0.8	+ 7.4	- 1.9	- 0.4	+ 1.0	+ 7.2	- 7.2	+ 9.6	+ 4.0
Netherlands	+ 2.7	+ 2.1	+ 3.6	- 0.1	+ 3.6	+ 2.9	+ 2.3	- 2.0	.
Belgium	+ 2.4	+ 1.2	+ 2.1	+ 4.5	- 1.0	+ 3.8	+ 1.3	- 0.6	+ 3.1
Luxembourg	+ 1.1	- 1.4	- 1.3	+ 3.3	+ 3.1	+ 4.1	+ 5.5	- 2.2	+ 2.8
United Kingdom <sup>3</sup>	- 0.5	- 0.1	- 3.2	+ 5.5	+ 2.6	+ 3.6	+ 2.6	.	.
Community <sup>4</sup>	0	+ 1.3	+ 0.7	+ 1.6	+ 2.2	+ 3.6	+ 1.9	+ 1.1	+ 1.5

<sup>1</sup> Excluding construction, food, beverages and tobacco. Ireland : extraction and transforming industries. Denmark, no comparable figures available.

<sup>2</sup> Calculated on the basis of the seasonally adjusted indices of the Statistical Office of the European Communities. Ireland: O.E.C.D.

<sup>3</sup> Revised index in preparation.

<sup>4</sup> Estimates.

dustrial production showed a distinct loss in buoyancy. In the United Kingdom, too, industrial production expanded comparatively

little, with the upswing in activity repeatedly impeded by stoppages. Industrial production in the Benelux countries similarly failed to

maintain the momentum registered at the beginning of the year. Industrial activity in the other Member States, especially France and Ireland, by contrast, went on growing at a very lively pace; in Italy the rate even accelerated.

Looking at the individual sectors, production in the industries manufacturing conventional consumer goods (food, textiles and leather) showed little if any growth, except in the United Kingdom. By contrast, production in the basic materials industries, especially chemicals and iron and steel, expanded considerably in the Community as a whole. But it was in the capital goods industries that the rise in production was sharpest. Activity in building and construction slowed down appreciably.

Production in *agriculture*, on the other hand, improved considerably. For one thing, output of crop products was appreciably higher than a year earlier; for example, the cereal harvest in the Community is estimated at some 105 million tons, or 10 million tons more than the annual average in 1968-1972. For another, the bottlenecks in the production of livestock products appear to have been eliminated. In the *services* sector, especially tourism, business activity rose very sharply in the summer.

The level of *employment* in the Community as a whole continued to improve. In almost all Community countries the seasonally adjusted number of unfilled vacancies has tended to rise further in recent months. Unemployment fell in Italy and the United Kingdom, but in the other countries the number of unemployed tended to stabilize, if not increase slightly. This trend seems to be largely due to structural factors, especially the disparity between the skills offered by the manpower reserves available and the skills required by industry. There are nevertheless many indications that firms have become more cautious over taking on additional manpower, both because of the sharp rise in labour costs and perhaps also because they are no longer as optimistic about the future trend of economic activity as previously.

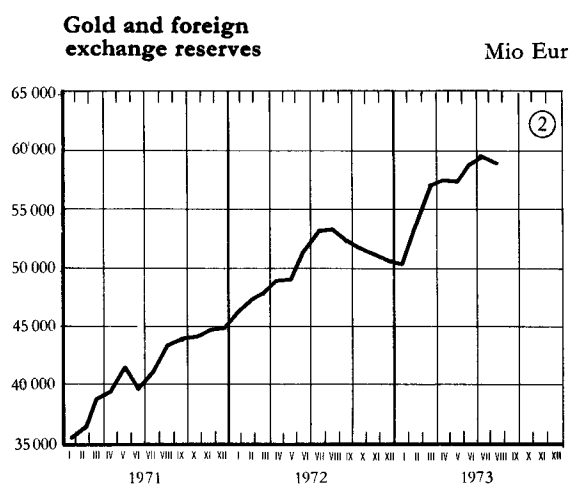
*Imports* from non-member countries maintained their rapid expansion. This is true not

only of the countries whose competitive position has deteriorated as a result of the appreciation of their currencies but also of the countries whose currencies have experienced a *de facto* devaluation. The explanation is that stocks of raw materials and semi-manufactures had been very low at the beginning of the business upswing. The rise was particularly pronounced in value terms because world market prices for raw materials climbed very sharply and the prices for imports of finished and semi-finished industrial goods have increasingly reflected the worldwide inflationary tendencies.

At the same time *intra-Community trade* was very buoyant, helped by the favourable business situation and also by the first 20 % cut, on 1 April, in the tariffs between the new and the original member countries.

#### d) *Balance of the markets*

The conditions determining economic equilibrium remained very unsatisfactory in the Community as a whole. The vigorous upsurge in prices continued almost unabated. The pressure of demand, the habituation to high rates of price increases and the associated resignation shown by large sections of the population in the face of inflation, the expectation of obtaining on the incomes front compensation equal at least to the loss of



purchasing power, and the consequent pressure on costs are the key elements in the persistence of the prices-wages spiral. Added to this there is the rise in import prices, already

mentioned in the section on the world economic situation. If in some member countries, especially Germany and Luxembourg, the upward movement in consumer prices showed some temporary slackening in the summer, this was due mainly to the calmer pace in the prices of foodstuffs that vary sharply with the season. In Italy it was principally the introduction of

a three-month freeze on the prices of essential consumer goods that bought a slowdown in the previously very rapid rate of price increases. Generally it must be noted that had it not been for the governments' anti-inflationary measures, the rise in prices would certainly have been much stronger still.

### Consumer prices

(% change)

Country	Dec. 70 to June 71	June 71 to Dec. 71	Dec. 71 to June 72	June 72 to Dec. 72	Dec. 72 to June 73	Oct. 71 to Oct. 72	Oct. 71 to Oct. 73
Denmark	+ 3.0	+ 2.6	+ 3.7	+ 3.3	+ 5.3	+ 6.8	+ 10.3
Germany	+ 3.6	+ 2.1	+ 3.3	+ 3.1	+ 4.6	+ 6.4	+ 6.6
France	+ 3.1	+ 2.8	+ 2.8	+ 4.1	+ 3.2	+ 6.6	+ 8.1
Ireland <sup>1</sup>	+ 4.4	+ 4.0	+ 3.8	+ 4.3	+ 7.1	+ 10.9 <sup>2</sup>	+ 11.2 <sup>2</sup>
Italy	+ 2.1	+ 2.4	+ 2.9	+ 4.4	+ 6.9	+ 7.0	+ 11.4
Netherlands	+ 5.0	+ 3.2	+ 4.4	+ 3.3	+ 4.8	+ 8.1	+ 7.9
Belgium	+ 2.7	+ 2.8	+ 2.7	+ 3.7	+ 3.2	+ 5.7	+ 6.8
Luxembourg	+ 3.3	+ 2.1	+ 2.7	+ 3.1	+ 3.5	+ 5.7	+ 5.5
United Kingdom <sup>3</sup>	+ 6.4	+ 2.5	+ 3.5	+ 4.0	+ 5.1	+ 7.9	+ 9.9

<sup>1</sup> On the basis of quarterly indices.

<sup>2</sup> June.

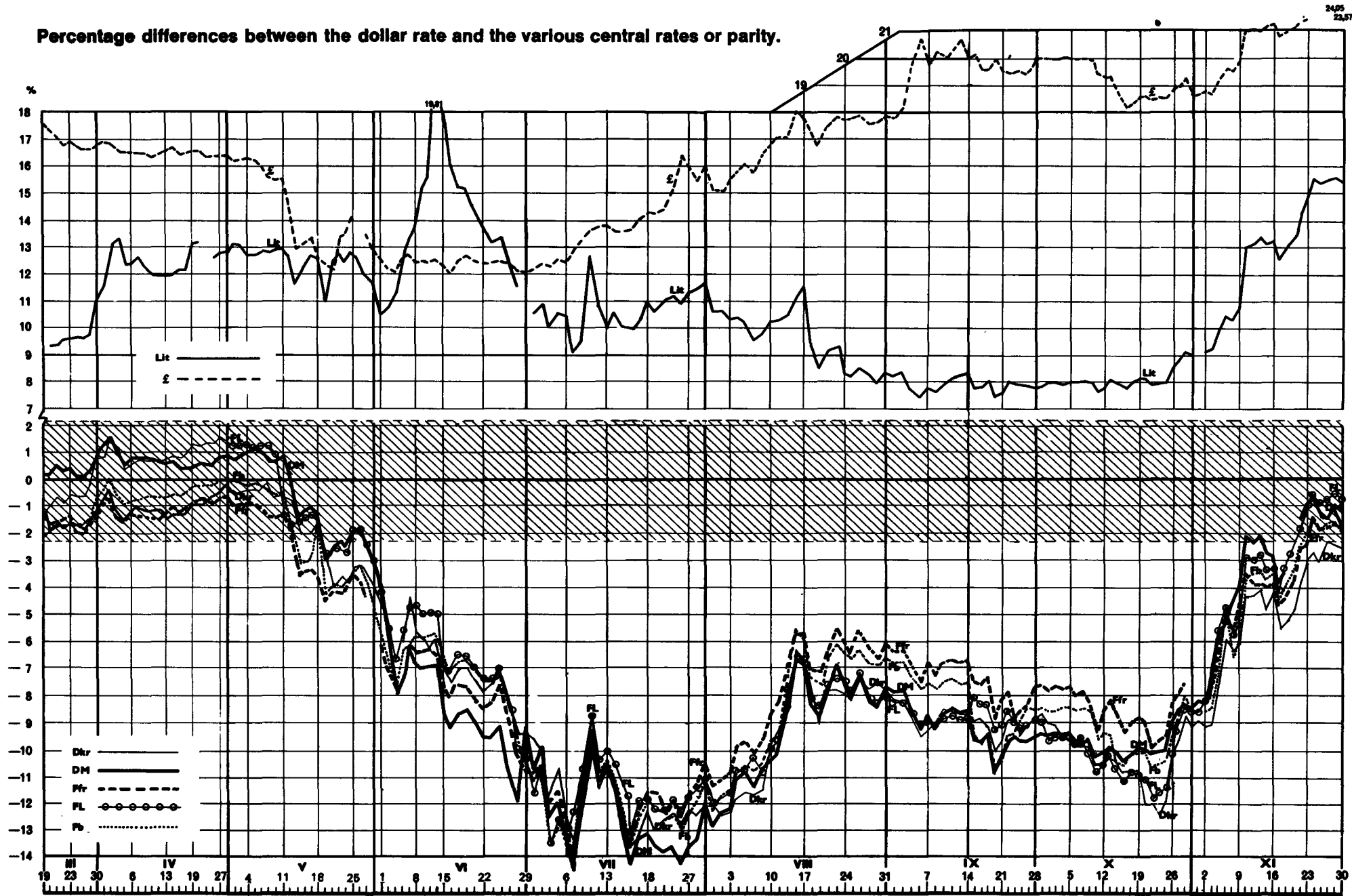
Despite very large surpluses in Germany, the Community's *balance of trade* with non-member countries again showed a deficit. This was mainly the result of the fresh deterioration in the terms of trade, which was particularly pronounced in the United Kingdom and Italy. In both countries the deficit widened sharply.

With maintenance of balance of payments equilibrium in the Community now largely entrusted to the exchange rate mechanism, speculative capital movements between the Community and the non-member countries no longer played any major role. The Community's *foreign exchange reserves* rose only slightly. The dollar has strengthened distinctly, following a sharp drop until July. In order to combat imported inflationary in-

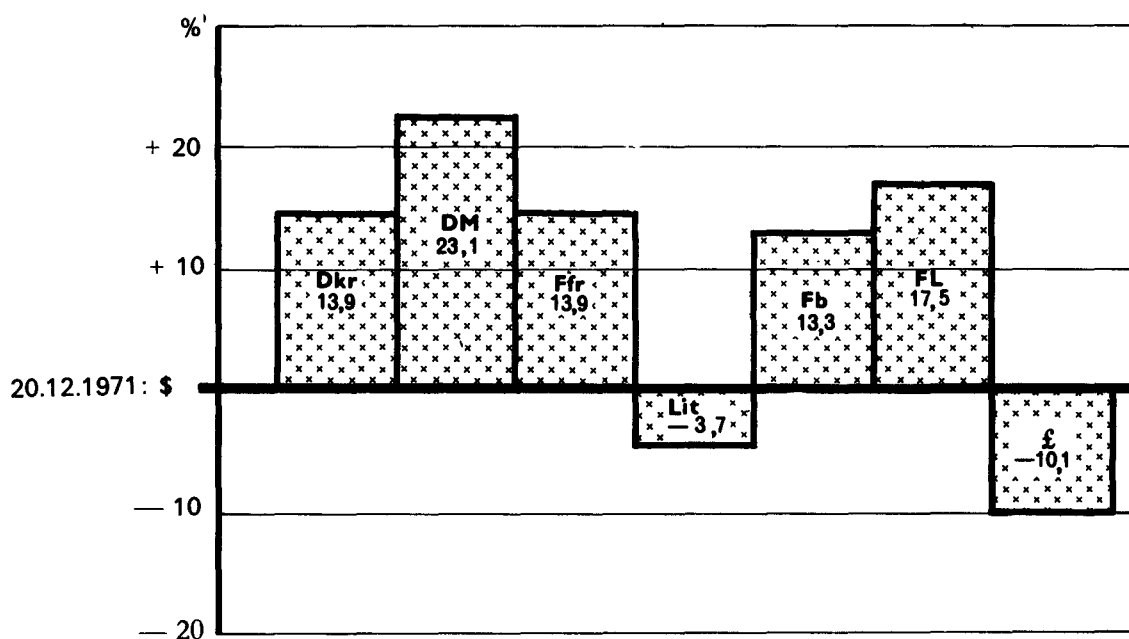
fluences the Netherlands' Government re-valued the guilder by 5 % with effect from 17 September 1973. The subsequent weakness of the French franc was overcome by close cooperation between the monetary authorities of the member countries and by an upward adjustment of interest rates in France.

Even though inflows of liquidity from abroad had ceased, internal liquidity in the Community initially still rose further. In contrast to the situation in the past, however, it was now possible to persevere with the restrictive line of *monetary policy* without triggering any major inflow of capital. In Germany, the level up to which credit institutions may use their rediscount quotas was lowered in

Percentage differences between the dollar rate and the various central rates or parity.



**Appreciation or depreciation of Member States' currencies at 30 November 1973  
with respect to their central rates in \$ 20 December 1971.**



respect of medium-sized and large banks from the beginning of October, and minimum reserve requirements were raised with effect from 1 November. In the United Kingdom and France, too, minimum reserves were put up. The Italian monetary authorities took measures to curb bank lending to large enterprises in favour of small and medium-sized firms.

The expansion of *credit* continued in almost all member countries, but in some the rate has slackened recently owing to the tightening of the restrictive measures. In Germany, for instance, total credit has gone up at only a comparatively sluggish pace in recent months; mortgage lending even fell sharply in the summer. In France, short-term lending to business and private customers has increased again slightly since the summer, but this followed a drop in the first half of the year. In Denmark, too, there may have been a certain slowdown owing to the ceiling controls placed on lending. In the other member countries, by contrast, bank lending remained very lively.

Only in some countries did the *transactions of the public authorities* have a dampening effect on the expansion of domestic liquidity. Public expenditure went on climbing vigorously throughout the Community. In Denmark, the growth in public expenditure appears, if anything, to have been slightly smaller than at the beginning of the year, owing to the ban on building. In Germany, the Federal Government in the period July-September froze almost DM 1,400 million from the new tranche of the stability loan and from tax receipts. In France, government borrowing dropped distinctly, but the deficit was for a time financed by monetary means. In the Netherlands, higher tax revenue enabled the central government's budgetary position to exert a dampening influence on the money supply. In Belgium, on the other hand, the borrowing requirements in 1973 reached a record level. In the United Kingdom, too, the budgetary deficit was substantial but, as in Belgium, much of it was financed by non-monetary means. In Italy, the deficit on public cash transactions continued to make a major contribution to the expansion in domestic liquidity.

# Demand for and supply of goods and services

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2 3</sup>	
	At current prices Mrd Eur <sup>4</sup>	% change on preceding year			
		Volume	Value	Volume	Value
Gross fixed asset formation	161.8	+ 2.9	+ 8.1	+ 6	+ 14
Public current expenditure on goods and services	110.0	+ 4.2	+ 12.6	+ 3½	+ 14
Private consumers' expenditure	407.4	+ 4.9	+ 10.9	+ 5	+ 13½
Gross Community product	693.7	+ 3.7	+ 10.2	+ 6	+ 13½
Balance exports less imports (in '000 million Eur) <sup>4</sup>	+ 9.2	+ 9.8		+ 6.8	

<sup>1</sup> Statistical Office of the European Communities (SOEC), General Statistics No. 9/1973.

<sup>2</sup> Estimates.

<sup>3</sup> Based on Community totals of the aggregates of the individual member countries at the central rates fixed in Washington on 18 December 1971.

<sup>4</sup> 1 Eur = 0.888671 g of fine gold.

## Note :

The estimates are approximations based on certain hypotheses generally mentioned in the Quarterly Surveys. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

Under the combined influence of these factors, the growth in the *money supply* tended to slacken a little in most member countries, compared with the very high rates recorded in the first half of the year. In some countries there was a wide discrepancy between the quite modest growth in M1, the money supply on the narrow definition, and the much sharper rise in M2, the money supply on the broad definition, which includes near-money. A major reason lay in the comparatively high interest rates for short- and medium-term time deposits, which led to switching from sight deposits into time deposits.

Interest rates tended upwards throughout the Community, both on the money and on the capital markets. The gap between the comparatively low interest rates in Italy, Belgium and the Netherlands, and those in the other coun-

tries narrowed slightly in the process. Discount rates were raised further in most member countries. The Banque de France, for instance, since 5 July has put up its discount rate from 8.5 % to 11 % in two stages; this also served to counteract a temporary weakness of the French franc against other Community currencies. In the Netherlands, the discount rate, which at the beginning of June had still been 4 %, was put up in several stages, reaching 7 % on 16 October. The Belgium Central Bank too raised its discount rate, to stand at 7 3/4 % at the end of November. The discount rate in Denmark has been 8 % since 8 July and in Ireland 10.5 % since 10 August. In Italy, the basic rate for rediscounts was put up from 4 % to 6.5 % in mid-September, and the surcharge payable when certain limits are exceeded raised from 1.5 to a maximum of 3 percentage points. In

the United Kingdom the Bank of England's minimum lending rate, which in the second half of July had gone up from 7 ½ % to 11 ½ %, in mid-October fell slightly to 11 ¼ % but on 13 November was raised sharply to 13 %, notably in an effort to stem speculative capital movements. The rise in long-term interest rates also continued. In a number of member countries, however, especially Germany and the United Kingdom, it appears to have already reached its peak.

### **Major economic policy measures**

#### *September 1973*

— On 3 September customs duties on imports of live animals and beef were restored to their normal level.

#### *November*

— At its meeting of 9 November 1973 the Council adopted the third annual report on the economic situation in the Community. At the same time it invited the Commission to draw up, for its meeting on 3 and 4 December, a programme of supplementary measures to combat inflation.

#### *December*

— At its meeting of 3 and 4 December 1973 the Council adopted a resolution on measures to combat rising prices and to maintain a high level of employment in the Community (See Annex).





TABLE 1: Basic data 1972

	Communi- ty	Denmark	Germany	France	Ireland	Italy	Nether- lands	Belgium	Luxem- bourg	United King- dom
Total area ('000 sq. km.)	1 524.8	43.0	248.5	551.2	70.3	301.2	33.5	30.5	2.6	244.0
Total population ('000)	254 586	4 993	61 669	51 487	3 014	54 368	13 888	9 727	348	55 668
Density of population per sq. km.	167	116	248	93	43	181	400	319	134	228
Numbers in employment ( '000)	104 311	2 414	27 463	20 709	1 048	18 331	4 701	3 969	151	24 744
Numbers in employment, breakdown by main sector (%) :										
Agriculture	10	10.4	7.4	12.9	25.5	18.0	6.7	4.1	9.3	2.7
Industry	44	35.9	48.5	40.4	28.7	43.8	36.9	42.3	48.3	46.9
Services	46	53.7	44.1	46.7	54.2	38.2	44.2	51.2	42.4	50.4
Share of gross domestic product (%) :										
Agriculture	.	7.7	3.5	5.9	16.9	9.2	5.8	4.3	(4.4) <sup>(1)</sup>	2.9
Industry	.	38.2	50.9	47.2	32.3	38.9	39.9	43.3	(57.5) <sup>(1)</sup>	42.5
Services	.	54.1	45.6	46.9	50.8	51.9	38.7	52.4	(38.1) <sup>(1)</sup>	54.6
In % of gross domestic product :										
Private consumers' expen- diture	.	60.2	54.0	59.7	65.8	71.2	57.1	59.8	57.7	63.0
Public current expenditure on goods and services	.	23.7	17.7	12.3	15.3	16.3	17.1	14.8	12.4	18.8
Gross fixed asset formation	.	30.7	26.0	26.0	22.1	21.2	24.4	20.9	30.8	18.0
Total exports	.	31.0	22.8	17.2	35.8	24.0	47.7	47.1	80.9	24.4
Total imports	.	30.2	21.1	16.4	41.2	23.0	45.3	43.1	81.8	23.4

(1) 1970

TABLE 2: Key indicators

	% change by volume on preceding year						Volume indices 1963 = 100
	1967	1968	1969	1970	1971	1972	1972
Gross Community product	+ 3.1	+ 5.4	+ 6.3	+ 4.9	+ 3.2	+ 3.7	149
Industrial production	+ 0.9	+ 8.5	+ 9.3	+ 5.1	+ 2.3	+ 5.1	158
Imports of goods and services	+ 5.0	+ 11.1	+ 14.4	+ 10.7	+ 7.0	+ 8.9	214
Private customers' expenditure	+ 3.5	+ 4.1	+ 5.3	+ 5.4	+ 4.3	+ 4.9	148
Gross fixed asset formation	+ 2.4	+ 6.5	+ 7.9	+ 7.1	+ 2.5	+ 2.9	159
Exports of goods and services	+ 5.9	+ 12.5	+ 12.8	+ 9.5	+ 8.1	+ 7.6	219
Intra-Community visible trade	+ 5.7	+ 19.5	+ 22.5	+ 12.4	+ 9.0	+ 11.6	298
Gross product per capita	+ 2.5	+ 4.8	+ 5.5	+ 4.3	+ 2.4	+ 3.1	139

## Community

**TABLE 3 : Basic monthly indicators**

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Industrial production (1963 = 100)	1971	149	153	154	155	154	155	138	117	153	158	161	152
	1972	153	153	161	163	162	160	142	124	160	167	174	172
	1973	164	173	174	176	175	175						
Imports from non-member countries (cif, million Eur)	1971	3 676	3 912	4 405	4 090	3 948	4 310	3 906	3 705	3 936	3 987	3 916	4 417
	1972	3 908	4 094	4 559	4 156	4 509	4 424	3 988	4 117	4 280	4 666	4 716	5 007
	1973	4 961	4 981	5 205	5 008	5 858	5 591						
Exports to non-member countries (fob, million Eur)	1971	3 550	3 831	4 471	4 025	4 079	4 180	4 328	3 864	4 135	4 182	4 101	4 782
	1972	4 001	4 328	4 798	4 476	4 768	4 871	4 552	4 265	4 483	5 345	5 071	5 601
	1973	4 969	5 158	5 470	5 302	6 247	5 858						
Balance of trade (million Eur)	1971	- 126	- 81	+ 66	- 65	+ 131	- 130	+ 422	+ 159	+ 199	+ 195	+ 185	+ 365
	1972	+ 93	+ 234	+ 239	+ 320	+ 259	+ 447	+ 564	+ 148	+ 203	+ 679	+ 355	+ 594
	1973	+ 8	+ 177	+ 265	+ 294	+ 389	+ 267						
Intra-Community trade (million Eur)	1971	3 369	3 786	4 459	3 967	3 920	4 103	3 995	3 448	4 073	4 398	4 252	4 388
	1972	4 029	4 403	4 984	4 470	4 692	4 861	4 180	3 971	4 668	5 137	4 988	5 109
	1973	5 036	5 245	5 435	5 259	5 994	5 814						

### NOTES TO GRAPHS AND TABLES

Source: Community: Statistical Office of the European Communities (SOEC).

Denmark: Danmarks Statistik.

Germany: SOEC; Statistisches Bundesamt.

France: SOEC.

Ireland: Administration Year Book (IPA) CB, Basic statistics

Italy: Relazione generale sulla situazione economica del Paese (1972).

Netherlands: SOEC; Ministerie van Sociale Zaken en Volksgezondheid; Centraal Bureau voor de statistiek.

Belgium: SOEC; Ministère de l'Emploi et du Travail.

Luxembourg: SOEC.

United Kingdom: Central Statistical Office.

Conversion into Eur (1 Eur = 0.888671 g fine gold).

#### Graph 1

Three-month moving averages of the seasonally adjusted indices (excluding construction, food, beverages and tobacco).

#### Graph 2

Monetary authorities' reserves of gold and convertible currency, holdings in special drawing rights and reserve position in the IMF. Gross figures, i.e. including foreign liabilities. Position at end of month.

**Table 1**

Total population at mid-year; for Germany, estimated average for year; for Italy, average for year.

Resident population in employment at mid-year; for Germany, estimated average for year; for Italy, average for year less persons temporarily working abroad.

Percentage shares of the main economic sectors at factor cost.

Percentage shares of demand aggregates and of total imports at market prices.

Total Exports and Imports; goods services and factor incomes.

**Table 2**

Industrial production, excluding construction, food, beverages and tobacco: index of the Statistical Office of the European Communities.

Trade between member countries, on imports basis: as shown by foreign trade statistics. Figures for the original members of the Community.

**Table 3**

Industrial production: see notes to table 2

External trade: Imports from non-member countries, exports to non-member countries: as shown by foreign trade statistics. Trade between member countries, on imports basis. Figures for the original members of the Community.



## **II. THE SITUATION IN EACH OF THE COMMUNITY COUNTRIES**



## A. Denmark

*In the past few months the Danish economy has continued its rapid growth. The increase in total demand has risen substantially. The labour market has become tighter and the rise in prices persists.*

During the past few months growth has followed a rapid course owing to the persistent rise in external demand and the sustained progress of the internal market.

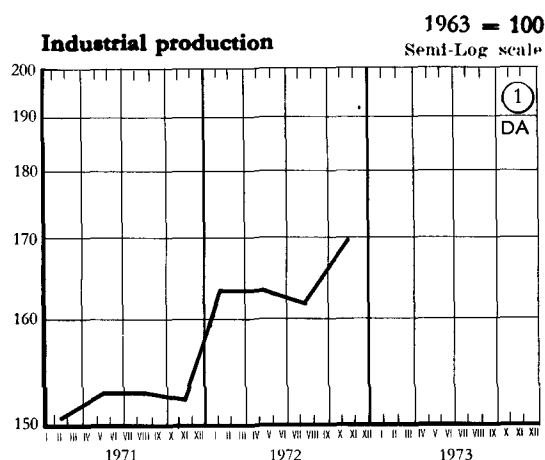
The development of *exports* has been notable essentially owing to the easier access of Danish products and in particular agricultural goods to the Community market. The volume of sales of these products has only increased a little, but in value the growth has been very high due to the strong rise in export prices. Thus, in the first eight months of the year, the amount of sales to Italy, the Benelux countries and France has more than doubled and sales to the Federal Republic of Germany have developed strongly. Exports of industrial goods have equally progressed despite the weakness of demand from Norway and Sweden. In total, exports from April to September have grown by 22.7 % in value on the same period of the preceeding year.

Internal demand has continued to grow strongly. Judging by the vigorous expansion of imports of capital goods, business *investment* would seem to be dynamic, particularly in the agricultural sector. On the other hand, however, activity in construction has slowed down by reason of the restrictive measures taken by the authorities. In the first nine months of this year, the number of new housing starts has declined by 18 % on the previous year. In addition, in the public sector, investment should only increase marginally due to the expenditure blockage up to 1 July 1973 which has been

extended to cover the period to 1 October 1974.

Private *consumption* has also progressed fairly rapidly. The index of the volume of retail sales, corrected for seasonal variation, has only risen slowly, but this may be due partly to the fact that expenditure on tourism has increased. On the other hand, the registrations of new cars in the third quarter have increased markedly and are now 35.8 % above the level of the same period of the previous year. The increase of total consumer expenditure has been made possible by the growth in personal incomes both in agriculture and to a lesser extent in other sectors. The rise in salaries has remained strong; in August the index of hourly earnings in manufacturing industry was 20 % up on the previous year.

Although recent statistics with regard to *industrial production* are unavailable, it may be assumed, due to the strong growth of imports



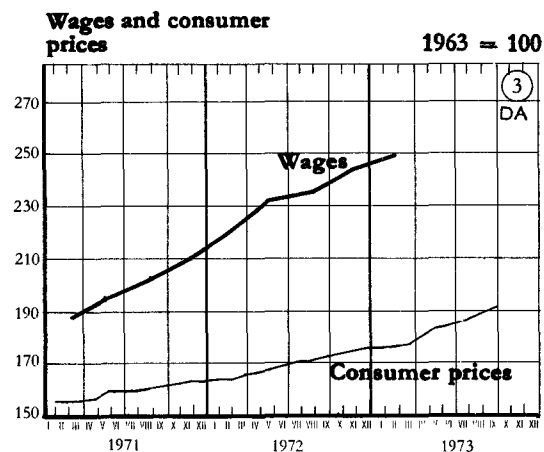
of raw materials and the results of industry surveys, that it has grown rapidly. In addition, agricultural output and, in particular, animal production, have progressed.

*Employment* has continued to increase slightly. At the same time, the rate of unemployment has fallen. In October the number



out of work, as a percentage of insured persons, was less than the number of unfilled vacancies and was situated at a level of 1.5 %, as opposed to 2.0 % in the same month in 1972.

The rise in *prices* remains lively. After a certain deceleration from May to August due in part to only moderate increases in food

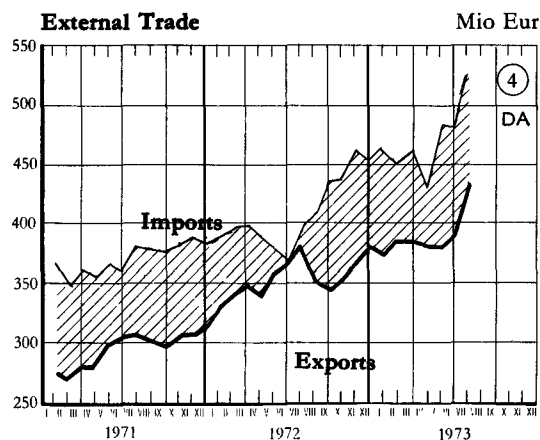


prices, the consumer price index progressed more rapidly in September and in October : in the latter month it was more than 10.3 % over the figure for the same month in 1972.

The growth in *imports* continues to follow a rapid course, which can be explained by the demand for raw materials and capital goods

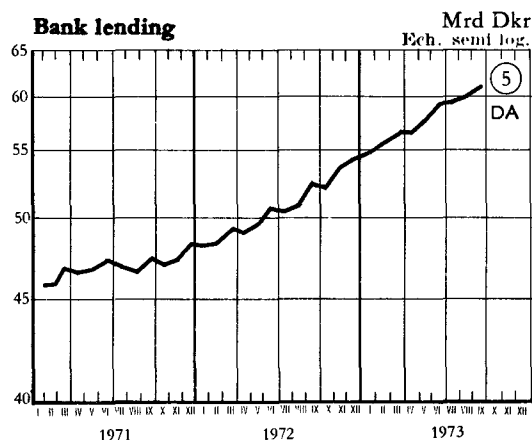
as well as by the effects of the suppression of the import surcharge on 1 April. The increase in foreign purchases in value has reached an annual rate of 33 % over the period April-September.

Despite a still favourable development of the terms of trade the large trade deficit continues; the deficit has reached Dkr 6,600 million in the first nine months of the year,



as compared to Dkr 3,500 million in the same period of 1972. At the end of October the net official reserves were Dkr 5,500 million, as against Dkr 6,700 million at the end of June. At the same time, the net external position of the commercial banks improved by Dkr 1,500 million.

Although the credit ceiling has not been modified since the beginning of the year, those loans actually used have continued to rise. The money supply (M2), unadjusted for seasonal variations, is still increasing and in September it was 15.2 % above the corresponding level of 1972.





*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in Dkr million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	38,767	+ 7.9	+ 11.8	+ 8	+ 19
Gross fixed asset formation	38,462	+ 2.5	+ 11.6	+ 12	+ 21½
Public current expenditure on goods and services	28,545	+ 7.2	+ 16.2	+ 3½	+ 14½
Private consumers' expenditure	76,716	+ 3.0	+ 9.9	+ 5	+ 14
Gross national product	140,892	+ 4.6	+ 13.5	+ 5	+ 15
Imports <sup>3</sup>	40,580	+ 3.4	+ 4.1	+ 18	+ 27½

<sup>1</sup> Danmark Statistik.

<sup>2</sup> Estimates.

<sup>3</sup> Goods, services and factor income.

*Note :*

The estimates are approximations based on the hypotheses generally mentioned in the Quarterly Surveys. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

## Major economic policy measures

### July 1973

— The discount rate was raised from 7 to 8 % on 11 July.

### August

— The clampdown on public sector construction due to end in November 1973 was extended to 1 October 1974.

### September

— A decision was taken not to increase the credit ceiling in the period 1 October to 1 December.

### October

— A decision was taken to reduce from 50,000 to 43,000 in 1974 the number of building permits a year.

— Power was given to the Minister of Economic Affairs to operate a selective credit policy, should the need arise.

— The following excises were increased:

- beer and mineral water
- cigarettes
- petrol
- weight taxes on cars and vans
- registration tax on delivery vans.

— On 10 October the Government authorised the entry of a further 2,500 foreign workers.

*November*

- *The Nationalbank renegotiated its agreements with the commercial and savings banks. The principal points were:*
  - *All commercial, savings and co- operative banks with deposits exceeding Dkr 5 million were subject to the agreement and all categories of loans are included.*
- *The agreements create the possibility of a new selective credit policy. In this connection it was agreed to introduce a qualitative restriction on personal loans.*
- *The agreements provide for automatic financial sanctions on banks exceeding their ceiling.*

TABLE 1 : Key indicators

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963 = 100
Gross national product	+ 4.3	+ 8.7	+ 3.3	+ 3.6	+ 4.7	154.7
Industrial production	+ 3.2	+ 11.5	+ 2.8	+ 2.0	+ 9.0	177.0
Total imports	+ 4.2	+ 14.5	+ 8.3	- 0.7	+ 3.6	191.6
Private consumers expenditure	+ 1.9	+ 9.1	+ 2.9	+ 2.4	+ 3.0	146.7
Public current expenditure on goods and services	+ 6.0	+ 9.0	+ 10.6	+ 8.8	+ 6.7	189.1
Gross fixed asset formation	- 0.5	+ 13.2	+ 6.0	+ 1.9	+ 2.1	179.3
Total exports	+ 9.1	+ 9.3	+ 6.1	+ 4.0	+ 7.6	183.2
Gross national product per head of population	+ 3.7	+ 8.1	+ 2.4	+ 3.0	+ 4.1	145.3
Gross national product per person in employment	+ 4.2	+ 8.1	+ 1.7	+ 3.2	+ 2.9	137.6
	% change by value on preceding year					
Gross income per employee	+ 1.2	+ 12.1	+ 11.0	.	.	.

TABLE 2 : Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	- 178.1	- 334.6	- 469.1	- 423	- 93
as percentage of GNP	- 1.4	- 2.4	- 3.0	- 2.5	- 0.5
Unemployment rate	5.0	3.9	2.9	3.7	3.7
Price-index of private consumers expenditure (% change on preceding year)	+ 8.0	+ 3.5	+ 6.5	+ 5.8	+ 6.6

# Denmark

TABLE 3 : Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Industrial production (1968 = 100)	1970			107			119			117			118
	1971			116			118			119			119
	1972			126			127			126			131
Unemployed (1 000)	1971	21.8	17.4	23.5	28.0	31.5	32.2	33.0	34.6	32.9	33.5	38.1	32.0
	1972	31.7	36.4	26.7	32.6	40.4	33.1	33.3	31.1	29.1	25.0	21.9	21.0
	1973	12.0	6.9	10.3	31.5	19.9	25.0	25.6	23.4				
Dwellings under construc- tion (1 000)	1971	36.3	34.0	32.9	32.9	32.9	32.9	33.6	34.5	35.9	36.5	36.2	33.9
	1972	33.5	33.1	33.2	33.5	34.8	39.2	39.0	38.5	38.6	40.5	40.1	38.8
	1973	38.6	38.0	38.5	38.2	38.5	37.8	37.0	36.3	35.0			
Retail sales (1968 = 100)	1971	125	128	128	132	130	132	132	134	140	140	137	134
	1972	135	137	142	144	143	145	147	151	153	147	151	151
	1973	158	157	156	159	156	165	162	166	174			
Consumer prices (1964 = 100)	1971	149.7	149.7	149.8	151.3	153.7	154.2	154.4	155.0	156.1	156.8	157.9	158.3
	1972	158.5	159.2	160.3	161.4	163.0	164.1	164.4	165.0	166.3	167.5	168.9	169.5
	1973	169.8	171.6	172.6	174.9	177.1	178.5	179.7	180.8	182.7			
Visible imports (million Eur)	1971	335	360	412	305	388	391	365	374	379	400	397	371
	1972	397	413	386	370	382	363	455	417	444	470	480	412
	1973	503	412	429	417	514	522	560					
Visible exports (million Eur)	1971	270	275	286	274	337	311	286	316	299	321	319	320
	1972	366	347	337	335	409	367	357	330	347	385	374	377
	1973	367	412	376	347	409	411	492					
Balance of trade (million Eur)	1971	- 65	- 85	- 126	- 31	- 51	- 80	- 79	- 58	- 80	- 79	- 78	- 51
	1972	- 31	- 66	- 49	- 35	+ 27	+ 4	- 98	- 87	- 97	- 85	- 106	- 35
	1973	- 136	- 30	- 53	- 70	- 105	- 111	- 68					
Official gold and foreign exchange reserves (million Eur)	1971	741	778	829	709	659	659	668	658	656	677	797	884
	1972	962	986	987	947	944	921	900	928	855	843	923	969
	1973	1 002	1 063	1 088	1 159	1 138	1 131	1 081	925	948	973		
Money supply (million Eur)	1971	7 395	7 438	7 395	7 613	7 645	7 705	7 735	7 749	7 855	7 937	8 240	8 192
	1972	8 021	7 965	8 193	8 422	8 475	8 628	8 565	8 656	8 766	8 793	9 212	9 328
	1973	9 164	9 115	9 248	9 524	9 681	9 897	9 820	9 906	10 099			

## NOTES TO GRAPHS AND TABLES

Source: Danmarks Statistik (except as otherwise indicated).  
Conversion into Eur (1 Eur = 0.888671 g of fine gold).

### Graph 1

Industrial production: volume of sales in manufacturing; seasonally adjusted.

### Graph 2

Labour market: seasonally adjusted; three-month moving averages. Insured unemployed, OECD.

### Graph 3

Wages: hourly earnings in industry (including bonuses).

### Graph 4

Imports: cif; exports: fob; seasonally adjusted; three-month moving averages, OECD.

### Graph 5

Bank lending: by commercial and major savings banks

*Table 1*

GNP at market prices, SOEC.

Industrial production: value added by industry, SOEC.

Exports and imports: goods and services, SOEC.

Gross income per employee: income from employment, SOEC.

*Table 2*

Balance exports less imports: goods, services and factor incomes, SOEC.

Unemployment rate: number of insured unemployed as percentage.

*Table 3*

Industrial production: volume of sales in manufacturing; seasonally adjusted.

Insured unemployed: seasonally adjusted, OECD.

Retail sales: seasonally adjusted.

Imports: cif, exports: fob; seasonally adjusted, OECD.

Balance of trade: difference between the seasonally adjusted figures of exports and imports, OECD.

Official gold and foreign exchange reserves: monetary reserves: monetary authorities gross reserves of gold and convertible currency, holdings in special drawing rights and reserve position at the IMF; liabilities to abroad have not been deducted, Danmarks Nationalbank.

Money supply: notes and coins in circulation and deposits at post giro accounts commercial and major savings banks, Danmarks Nationalbank.



## B. Germany

*While Germany's economy was generally still on an expansionary trend, the stabilization measures taken in the spring began to have their first effects in the autumn, especially in the field of domestic demand. Export demand, on the other hand, went on providing vigorous stimuli to economic activity despite the repeated appreciation of the German mark.*

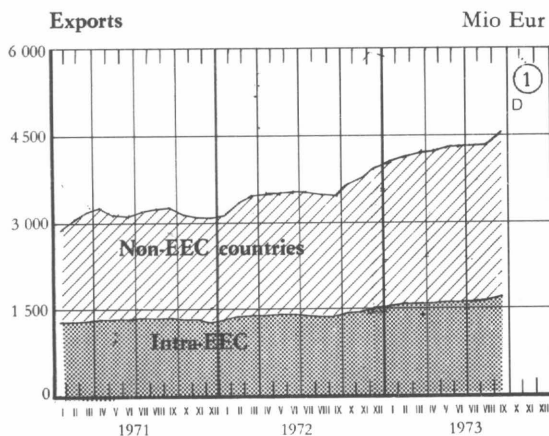
In the autumn, the expansion of demand slackened somewhat in Germany, partly as a result of the stabilization measures taken in the spring. The associated easing of strains in the economy should not, however, obscure the fact that the upward thrust of prices was still very vigorous.

Export demand continued to be remarkably buoyant, despite the sharp rise in German export prices due to the appreciation of the

Domestic demand, on the other hand, showed a clearer tendency to settle down to a calmer pace, even though the degree varied somewhat from one component to another. Especially in *fixed investment*, the main target of the stabilization measures, there are first signs of the brakes taking hold. In residential construction, for instance, there is evidence of a distinct fall-off in activity, despite a very heavy building backlog. Activity in public building and construction likewise tended downwards while in industrial building it continued at a high level. Corporate investment in plant and machinery expanded further owing to the high level of orders on hand, but a less sanguine assessment of the future trend of activity led to more cautious ordering.

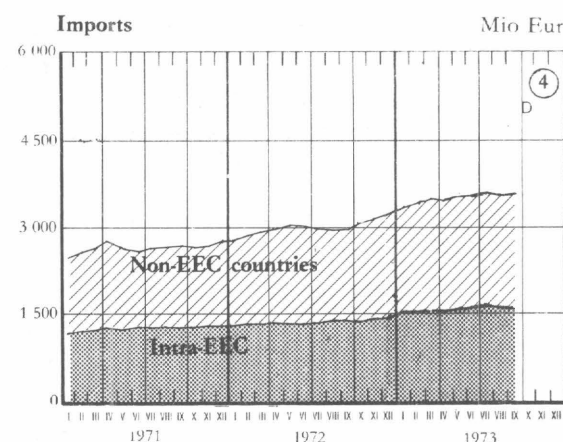
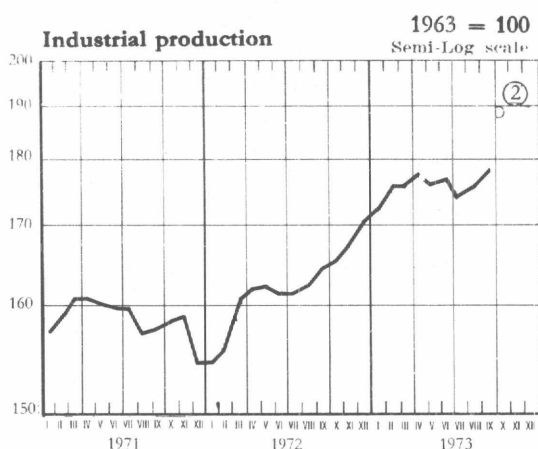
The growth of *private consumers' expenditure* has slackened in recent months. In the third quarter the year-to-year increase in the value of retail sales was down to 2.4 %, compared with 11.8 % in the second quarter. Registrations of new passenger cars in the third quarter even showed a drop of 8 % on a year earlier. Tourist spending, on the other hand, again went up very vigorously this year. The rise in gross incomes accelerated, notably under the pressure of isolated unofficial strikes; in the third quarter wages and salaries per person employed in the economy as a whole were up 12 % on a year earlier.

In spite of a heavy backlog of orders, *industrial production* showed little underlying growth



and in September ran only slightly above the high level it had reached in the spring. Even so, production figures for the third quarter were still up 7.6 % on a year earlier. In

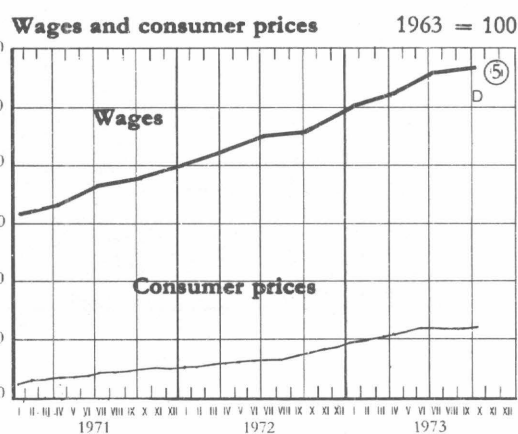
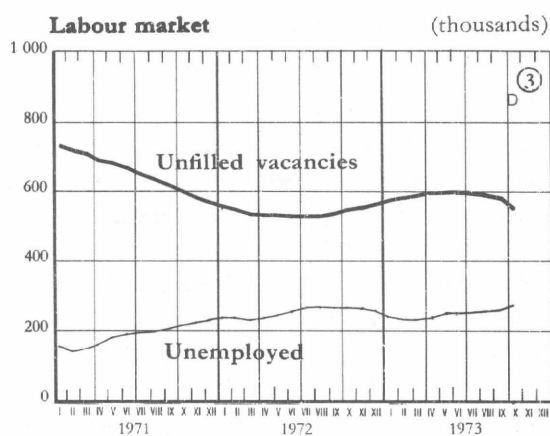
9.7 % higher than a year earlier, compared with year-to-year increases of 16.8 % in the first and 12.1 % in the second quarter. The growth of imports of foodstuffs and raw



addition to a more marked summer break, this may have been due increasingly to cautious and cost-minded production planning by enterprises aimed more at maintaining activity at optimum capacity utilization level than at increasing sales. This was probably also the reason why *employment* showed little, if any, increase and why the slightly rising trend of seasonally adjusted unemployment continued. The number of jobs on offer declined. However, at the end of October, and allowing for seasonal variations, there

materials fell off sharply while imports of capital goods even dropped slightly below the level of a year earlier. The unusually rapid increase in import prices slackened somewhat in the past few months, in part as a result of the fresh appreciation of the German mark.

The rise in *consumer prices*, which had slowed down in the summer mainly because of a seasonal decline in food prices, has since then been strengthening again. Part of



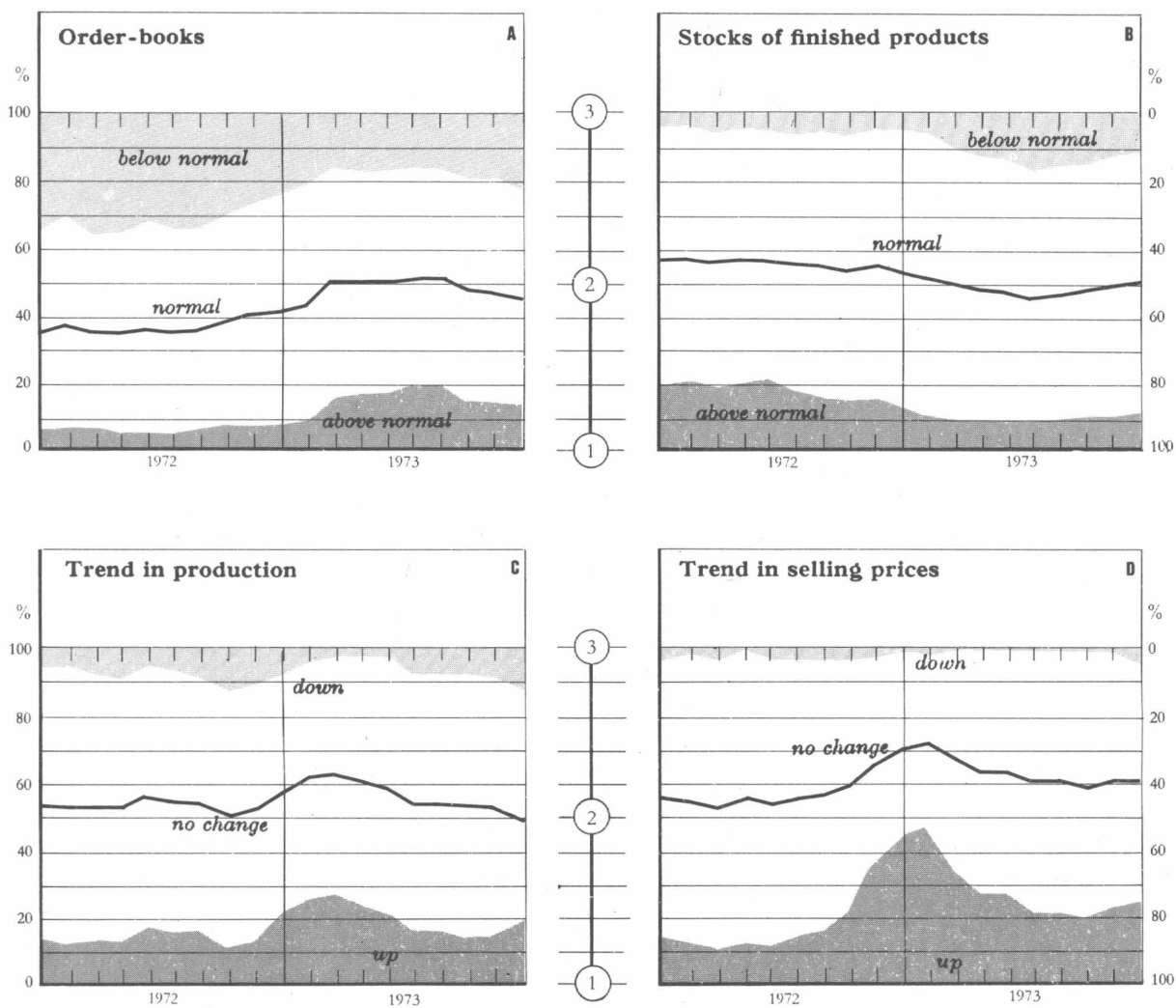
were still 523,000 vacancies while the number of job-seekers stood at 331,000. Demand for foreign workers remained lively.

The growth of visible *imports* slowed down; in the third quarter their value was only

this is already a reflection of the appreciable increase in the prices of petroleum products. In October the cost-of-living index for all households was 6.6 % higher than a year earlier.



BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Answers to questions in the EEC business survey, carried out in the German Federal Republic by the IFO-Institut.

GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

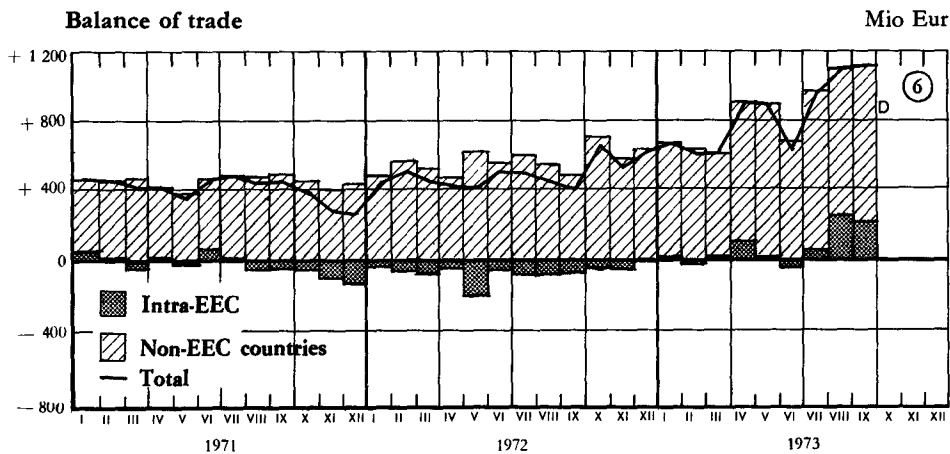
The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".



The very buoyant trend of exports, coupled with a distinct fall-off in the expansion of imports, led to a further vigorous rise in the trade surpluses, causing the *current account* to move into increased surplus despite

larger deficits on the services account. Official gold and foreign exchange reserves rose once again, mainly as a result of interventions carried out by the Bundesbank in the second half of September under the monetary agree-



*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in DM '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	173.7	+ 7.7	+ 8.9	+ 15½	+ 17½
Gross fixed asset formation	203.1	+ 1.9	+ 6.1	+ 3½	+ 8
Public current expenditure on goods and services	130.6	+ 4.4	+ 12.5	+ 3	+ 14
Private consumers' expenditure	409.6	+ 3.4	+ 9.3	+ 4	+ 11½
Gross national product	758.6	+ 3.0	+ 9.3	+ 6	+ 12½
Imports <sup>3</sup>	162.5	+ 8.3	+ 7.6	+ 10	+ 14

<sup>1</sup> Federal Statistical Office/ "Wirtschaft und Statistik", No. 9/1973.

<sup>2</sup> Estimates.

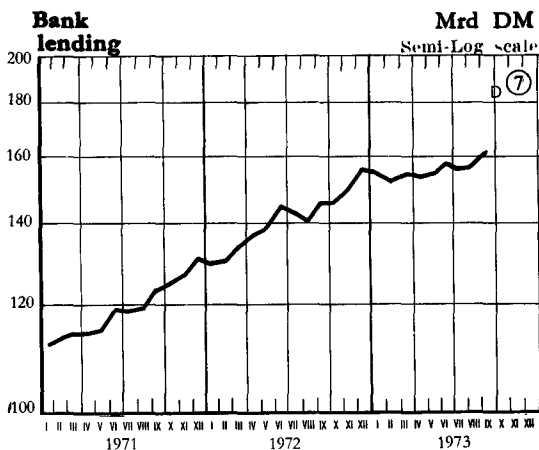
<sup>3</sup> Goods, services and factor income.

*Note :*

The estimates are approximations based on certain hypotheses mentioned in the Quarterly Surveys. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

ments applied in the Community; at the end of October they stood at DM 97,300 million, following a slight decline during that month.

Despite the radical restriction of banks' free liquid reserves and despite the comparatively high level of interest rates, the expansion in the volume of lending and in the money



supply is slowing down gradually. The stock of money and near-money (M2) at the end of October was still 18 % higher than a year earlier.

### Major economic policy measures

#### July

— With effect from 20 July the Bundesbank tightened the restrictions on capital movements. The single quota applied since the end of February to sales of domestic securities to non-residents was split into a quota for fixed interest securities and a quota for shares. This made it impossible for non-residents to switch into domestic bonds by selling German shares (including those purchased abroad).

#### September

— At the beginning of September the Federal Government floated a third tranche totalling DM 250 million of the stability loan decided upon under the first stability programme of 17 February; the coupon was 10 %.

— On 5 September the Federal Government approved the draft of the 1974 Federal budget

and the medium-term finance plan to 1977. Expenditure under the 1974 budget is DM 134,400 million, 10.5 % more than under the 1973 budget. The net borrowing requirement is some DM 2,000 million. Under the medium-term finance plan, the average annual growth of expenditure from 1975 to 1977 is 8.5 %.

#### October

— To neutralize the inflow of liquidity from abroad the Bundesbank on 4 October decided upon the following measures:

- The banks' rediscount quotas, which since 1 March could generally be used only to the tune of 60 %, were restricted further. The new limits, which applied with immediate effect, were fixed at 55 % for credit institutions which on 31 August had capital assets of between DM 50 million and DM 100 million, and at 45 % for credit institutions with capital assets of more than DM 100 million.
- From 1 October a 15 % cut was made in the basic amount used to compute the growth in foreign liabilities subject to the minimum reserve requirement. As a result, the portion of foreign liabilities above some 60 % of the basic amount (foreign liabilities in October and November 1971) became subject to a 100 % reserve requirement.
- From 1 November the minimum reserve ratios on domestic sight and time deposits were raised by 3 %; the increase did not apply to savings deposits.

All in all these measures reduced bank liquidity by an additional DM 2,500 million or so.

— In mid-October the Federal Government and the Länder reached agreement on new arrangements for the sharing of revenue from turnover tax. From 1 January 1974 the Länder's share will go up from 35 % to 37 %, and the financially weak Länder will receive supplementary allocations totalling 1.5 % of the Federal Government's share in this tax. The new arrangements reduce the Federal Government's tax revenue in 1974 by some DM 2,000 million, an amount to be offset by an equivalent increase in net borrowing.

— On 26 October the Federal Government adopted the draft of a third tax reform law. Income tax, especially on low and medium incomes,

is to be reduced appreciably (on balance by some DM 8,000 million) from 1 January 1975. Corporation tax reform is to include the elimination of double taxation of shares.

— At the end of October the Federal Government decided on an appreciable increase in postal charges from 1 July 1974.

#### November

— The Federal Government, the Länder and the local authorities, meeting in the Financial Planning Council, agreed to limit public authority borrowing in 1974 to a total of DM 14,200 million (breaking down into DM 4,300 million for the Federal Government, DM 4,300 million for the Länder and DM 5,600 million for the local authorities).

— On 7 November the Federal Government decided to raise existing pensions under the statutory pension insurance scheme by 11.2 % from 1 July 1974, and disability pensions by 11.6 % from 1 January 1975.

— On 9 November the Bundestag and the Bundesrat passed a law to safeguard energy supplies, giving the Federal Government powers, in the event of a threat to or disruption of imports of mineral oil or natural gas, to safeguard the satisfaction of essential energy needs by issuing orders concerning the production, transport, storage, distribution, sale, purchase, use and maximum prices of petroleum

and petroleum products, solid, liquid and gaseous fuel, electrical energy and other sources of power.

— On 22 November the Federal Government decided upon the following measures relieving some of the pressure on the sectors particularly hard hit by the stabilization policy:

(a) For 50,000 publicly assisted dwellings which had already been planned and authorized but work on which could not yet be started because of the high rates of interest on the capital market, the Federal Government will subsidize interest on mortgage loans totalling DM 2,500 million, reducing it to 8.5 %, at a cost of some DM 60 million.

(b) The increase in import quotas for Asian textiles, introduced under the second stability programme, will not be extended beyond the end of the year.

(c) The decision to carry forward a portion of the appropriations entered into the 1973 Federal and Länder budgets to cover joint expenditure will be withdrawn in whole or in part as soon as regional differences in the weakening of economic activity call for such a move.

— On 23 November the Federal Government instructed the Federal Labour Office that the recruitment and placing of foreign workers from non-member countries should be stopped with immediate effect.

**Germany (FR)**

**TABLE 1 : Key indicators**

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					1963=100
Gross national product	+ 7.3	+ 8.2	+ 5.8	+ 2.7	+ 3.0	150
Industrial production	+ 9.8	+ 10.7	+ 6.3	+ 2.2	+ 3.1	158
Total imports	+ 14.7	+ 16.9	+ 15.9	+ 9.5	+ 8.3	237
Private consumers' expenditure	+ 3.8	+ 7.7	+ 7.0	+ 5.6	+ 3.4	153
Public current expenditure on goods and services	- 0.0	+ 4.9	+ 4.9	+ 7.3	+ 4.4	135
Gross fixed asset formation	+ 8.0	+ 12.1	+ 11.5	+ 4.5	+ 1.9	155
Total exports	+ 13.4	+ 12.6	+ 9.0	+ 6.8	+ 7.7	228
Gross national product per head of population	+ 6.9	+ 7.2	+ 4.8	+ 1.6	+ 2.4	140
Gross national product per person in employment	+ 7.2	+ 6.6	+ 4.6	+ 2.8	+ 3.7	152
	% change by value on preceding year					
Gross income per employee	+ 6.8	+ 9.8	+ 15.1	+ 12.6	+ 10.0	219

**TABLE 2 : Indicators for internal and external equilibrium**

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	+ 4 403	+ 3 754	+ 3 052	+ 3 064	+ 4 059
as percentage of GNP	+ 3.3	+ 2.4	+ 1.6	+ 1.5	1.7
Unemployment rate	1.2	0.7	0.6	0.7	0.9
Prices to private consumers (% change on preceding year)	+ 1.9	+ 2.5	+ 3.5	+ 5.2	+ 5.7

TABLE 3: Foreign trade (at current prices)

	% change on preceding year					1963-100	Million Eur.	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
Total	+ 14.3	+ 16.9	+ 17.7	+ 14.2	+ 9.0	291.2	42 563	100.0
Intra-EEC	+ 16.7	+ 23.9	+ 18.6	+ 14.0	+ 8.5	311.4	16 976	39.9
To non-EEC countries	+ 12.9	+ 12.8	+ 17.1	+ 14.3	+ 9.4	279.2	25 587	60.1
<b>Exports of food, beverages and tobacco</b>								
Total	+ 21.8	+ 27.0	+ 27.6	+ 19.6	+ 19.1	526.3	1 518	3.6
Intra-EEC	+ 32.8	+ 31.0	+ 16.6	+ 22.2	+ 28.6	819.7	910	2.1
To non-EEC countries	+ 9.4	+ 21.6	+ 43.7	+ 16.5	+ 7.2	342.8	608	1.5
<b>Exports of raw materials, fuel and power</b>								
Total	+ 10.7	+ 4.2	+ 18.9	+ 11.9	+ 0.1	174.2	2 178	5.1
Intra-EEC	+ 10.6	+ 5.4	+ 20.1	+ 11.5	+ 0.4	177.8	1 357	3.2
To non-EEC countries	+ 11.5	+ 2.4	+ 16.9	+ 12.6	- 0.4	168.6	822	1.9
<b>Exports of semi-finished and finished industrial goods</b>								
Total	+ 15.9	+ 17.5	+ 17.3	+ 14.1	+ 9.2	297.2	38 866	91.3
Intra-EEC	+ 21.6	+ 25.8	+ 18.6	+ 13.8	+ 8.3	321.3	14 710	34.6
To non-EEC countries	+ 13.0	+ 13.0	+ 16.5	+ 14.3	+ 9.8	284.2	24 157	56.7
<b>Visible imports</b>								
Total	+ 16.1	+ 23.7	+ 20.0	+ 15.2	+ 6.7	281.3	36 627	100.0
Intra-EEC	+ 21.7	+ 30.0	+ 21.8	+ 20.8	+ 11.1	411.8	17 880	48.8
From non-EEC countries	+ 12.5	+ 19.3	+ 17.9	+ 10.1	+ 2.7	216.1	18 746	51.2
<b>Imports of food, beverages and tobacco</b>								
Total	+ 3.7	+ 16.7	+ 14.3	+ 13.5	+ 10.2	223.4	6 192	16.9
Intra-EEC	+ 11.9	+ 26.8	+ 12.6	+ 21.9	+ 15.3	335.5	3 236	8.8
From non-EEC countries	- 1.9	+ 9.0	+ 15.9	+ 6.2	+ 5.1	168.6	2 956	8.1
<b>Imports of raw materials, fuel and power</b>								
Total	+ 15.8	+ 12.2	+ 13.6	+ 13.5	- 0.4	208.0	7 482	20.4
Intra-EEC	+ 18.1	+ 23.3	+ 18.5	+ 22.0	+ 2.1	323.3	1 765	4.8
From non-EEC countries	+ 15.3	+ 9.7	+ 12.3	+ 11.2	- 1.1	187.5	5 717	15.6
<b>Imports of semi-finished and finished industrial goods</b>								
Total	+ 21.1	+ 31.4	+ 23.5	+ 16.3	+ 8.2	345.2	22 954	62.7
Intra-EEC	+ 25.4	+ 32.0	+ 24.8	+ 21.5	+ 11.5	455.3	12 830	35.2
From non-EEC countries	+ 16.8	+ 30.7	+ 22.1	+ 10.6	+ 4.3	263.6	10 074	27.5

TABLE 4: Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production (1963 = 100)</b>	1971	162.1	159.8	157.3	161.1	158.7	159.1	161.2	155.3	159.5	162.6	155.7	146.9
	1972	162.0	158.8	162.1	165.8	159.9	160.1	165.3	163.6	166.6	168.1	168.9	175.6
	1973	173.8	180.1	175.6	180.0	173.0	178.8	172.2	178.3	186.5			
<b>New orders received (1963 = 100)</b>	1971	180	180	191	183	182	188	181	184	185	177	187	184
	1972	184	191	195	186	195	201	181	193	199	212	218	216
	1973	246	231	238	220	258	221	216	223	223			
<b>Unemployed (1 000)</b>	1971	163.3	136.5	169.6	180.7	186.5	189.7	193.8	199.7	202.7	209.5	226.2	226.5
	1972	236.3	235.4	227.4	253.1	254.3	247.8	251.0	247.4	239.5	246.8	250.3	244.1
	1973	243.9	237.9	252.5	259.5	252.5	252.7	265.6	270.2	267.9	301.5		
<b>Construction: permits for residential construction (1 000)</b>	1971	53.3	56.7	57.6	55.6	60.6	61.7	58.0	62.9	61.2	56.2	61.0	60.1
	1972	63.7	60.7	61.2	63.3	63.8	71.3	65.1	64.5	62.9	64.1	64.1	64.6
	1973	65.7	61.1	65.9	55.7	68.2	57.4	58.1	56.4	45.8			
<b>Private consumers' expenditure: department store turnover (1963 = 100)</b>	1971	208.8	203.1	207.1	220.0	210.2	218.9	226.0	212.1	225.0	221.3	231.2	224.0
	1972	227.9	238.9	240.3	218.1	234.4	241.7	239.6	255.5	249.6	237.8	241.9	256.0
	1973	253.5	256.5	249.9	258.3	257.6	269.5	257.2					
<b>Consumer prices (1963 = 100)</b>	1971	123.5	124.5	125.3	125.9	126.2	126.7	127.2	127.1	127.7	128.3	128.9	129.3
	1972	130.7	131.3	132.1	132.3	132.6	133.5	134.3	134.3	135.7	136.4	137.1	137.7
	1973	139.3	140.2	141.1	142.2	143.1	144.0	144.0	143.9	144.3	145.3		
<b>Visible imports (million Eur)</b>	1971	2 474	2 803	2 790	2 670	2 631	2 735	2 828	2 740	2 752	2 666	2 743	2 898
	1972	2 742	2 996	3 016	2 837	3 171	3 051	2 842	3 128	3 068	3 242	3 303	3 218
	1973	3 406	3 459	3 395	3 295	3 800	3 412	3 654	3 596	3 523			
<b>Visible exports (million Eur)</b>	1971	2 985	3 104	3 186	3 097	2 989	3 139	3 227	3 118	3 199	3 031	3 020	3 249
	1972	3 189	3 500	3 465	3 345	3 572	3 557	3 339	3 565	3 464	3 895	3 823	3 837
	1973	4 067	4 050	3 985	4 175	4 672	4 028	4 508	4 685	4 638			
<b>Balance of trade (million Eur)</b>	1971	+ 511	+ 301	+ 395	+ 427	+ 358	+ 404	+ 399	+ 378	+ 447	+ 365	+ 277	+ 351
	1972	+ 447	+ 504	+ 439	+ 508	+ 400	+ 506	+ 488	+ 437	+ 395	+ 653	+ 520	+ 619
	1973	+ 661	+ 591	+ 591	+ 881	+ 872	+ 616	+ 944	+ 1 089	+ 1 115			
<b>Official gold and foreign exchange reserves (million Eur)</b>	1971	13 411	14 252	15 201	16 138	18 400	16 207	16 603	16 335	16 561	16 818	16 981	16 552
	1972	17 113	17 794	17 734	17 789	17 845	20 389	22 446	22 252	21 728	21 630	21 318	20 838
	1973	20 592	23 471	26 380	26 095	25 061	27 554	29 009	28 390	29 986	29 848		
<b>Money supply (DM '000 million)</b>	1971	103.5	104.8	105.3	107.6	109.7	109.4	111.8	113.0	112.4	113.3	114.7	116.1
	1972	116.5	117.6	120.6	122.5	120.5	125.2	127.5	127.8	128.3	128.5	132.4	133.5
	1973	130.8	131.8	137.0	136.9	130.8	132.6	131.8	128.8	129.1			

## Germany (FR)

### NOTES TO GRAPHS AND TABLES

Source: Statistical Office of the European Communities (except as otherwise indicated).  
Conversion into Eur (1Eur = 0.888671 g of fine gold).

— For the intra community trade the new Community countries have not yet been taken into account.

#### Graph 1

Exports fob: series adjusted for seasonal variations; three-month moving averages.

#### Graph 2

Industrial production: excluding construction, food, beverages and tobacco; adjusted for seasonal variations; three-month moving averages.

#### Graph 3

Labour market: series adjusted for seasonal variations; three-month moving averages; position at end of month.

#### Graph 4

Imports cif: series adjusted for seasonal variations; three-month moving averages.

#### Graph 5

Wages and consumer prices: index of average hourly gross earnings in industry (including construction); cost-of-living index (all households) at middle of month, not adjusted for seasonal variations.

#### Graph 6

Balance of trade: difference in terms of value between exports and imports, seasonally adjusted.

#### Graph 7

Bank lending: short-term loans to business and private customers within the country; position at end of month, not adjusted for seasonal variations.

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#### Table 1

Gross national product at market prices.

Industrial production: value added by industry (including small workshops).

Total exports and imports: goods, services and factor income.

Gross income per employee: income from paid employment (including employers' share of social insurance contributions).

#### Table 2

Balance exports less imports, as defined for the national accounts.

Unemployment rate: number of unemployed as percentage of total labour force (annual averages); source: Statistisches Bundesamt and Bundesanstalt für Arbeit.

Price index: price index of private consumption adjusted by the GNP deflator, computed from the national accounts.

#### Table 3

Exports fob, imports cif. The products have been regrouped on the basis of the Statistical and Tariff Classification for International Trade (CST): food, beverages and tobacco (Groups 0 and 1 CST), raw materials, fuel and power (Groups 2-4 CST), semi-finished and finished industrial goods (Groups 5-9 CST).

#### Table 4

Industrial production, excluding construction, food, beverages and tobacco; adjusted for seasonal variations.

New orders received: manufacturing industry (excluding food, beverages and tobacco); seasonally adjusted value index.

Unemployed: position at end of month, adjusted for seasonal variations.

Construction: seasonally adjusted number of dwellings authorized.

Private consumers' expenditure: seasonally adjusted value index of department store turnovers.

Consumer prices: cost-of-living index (all households), not adjusted for seasonal variations.

Imports cif, exports fob; value, adjusted for seasonal variations.

Balance of trade: difference between values of imports and exports, seasonally adjusted.

Official gold and foreign exchange reserves: monetary authorities' reserves of gold and convertible currency, holdings in special drawing rights and reserve position in IMF. Figures are given gross, liabilities to abroad not having been deducted. Position at end of month.

Money supply: notes and coin in circulation (excluding cash holdings of credit institutions) and sight deposits of domestic non-banks (excluding public authorities' deposits with the Bundesbank); position at end of month, adjusted for seasonal variations.

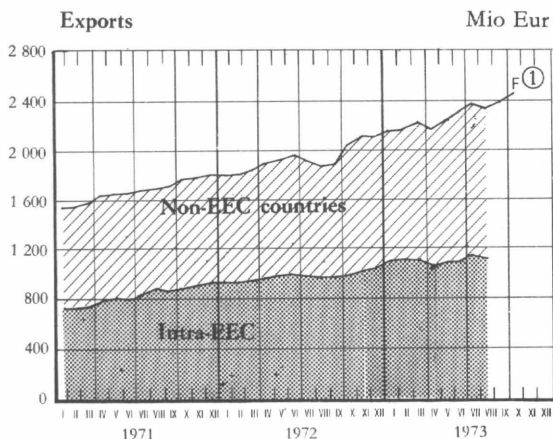


## C. France

*In the autumn economic growth in France continued at a rapid pace. Production expanded further, boosted by export and domestic demand. The upward movement in costs and prices has tended to accelerate since the summer.*

The trends apparent in the French economy since the beginning of the year continued in the autumn: overall demand went on expanding vigorously and costs and prices maintained their sharp upward movement.

Export demand has grown rapidly since the spring. In the third quarter the value of visible exports was 27.5 % higher than a



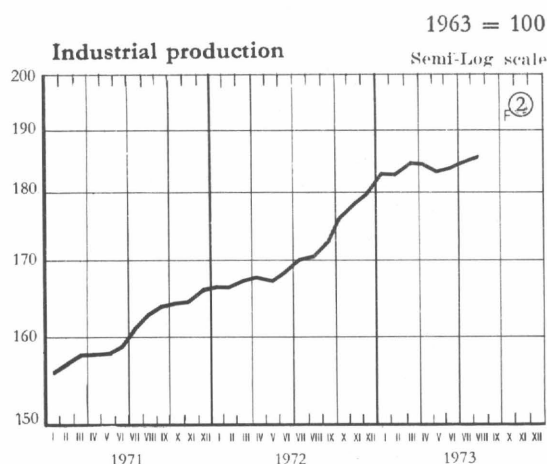
year earlier. Sales to the United Kingdom, the Netherlands and Italy in particular showed the sharpest rise.

At home the expansion of demand in money terms remained lively. Corporate investment rose strongly, especially in industry, where the number of bottlenecks has increased due to the shortage of plant capacity. Building and construction were buoyant, with the level of demand not yet much affected by the monetary measures taken since the beginning of the year

aimed at reducing borrowing and raising interest rates. The rapid growth in public investment continued.

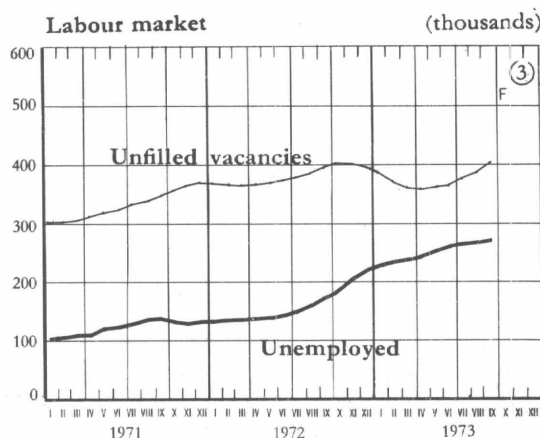
Expenditure on consumption continued to expand briskly. While public current expenditure went on rising at a high rate, private consumers' expenditure probably did not increase as rapidly as during the first half of the year.

The shortage of capacity in most sectors led to yet longer delivery periods; stocks, especially of finished products, contracted once again and are considered to be very low.



In the circumstances, the growth in overall demand cannot engender any major increase in production. In the third quarter, the INSEE index of industrial production was nevertheless 8.7 % higher than a year ago.

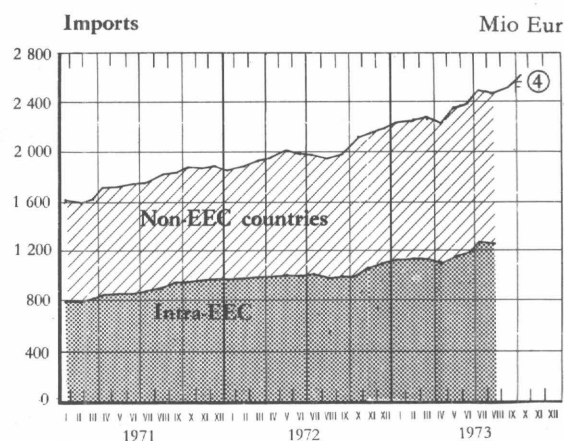
The situation on the *labour market* does not seem to have changed significantly. There continues to be heavy demand for skilled labour. The number of jobless has no doubt increased since the spring—after declining



steadily since the autumn of 1972—and in the third quarter was up 6.9 % on the same period last year. But it would appear that this reversal cannot, in the present circumstances, be interpreted as indicating a real worsening of the employment situation. The rapid increase in wages during the last few months and the rise in the cost of living have certainly prompted a large proportion of potential manpower (particularly women) to look for employment. Moreover, many industries have hesitated to take on additional labour as plant capacity is at the moment almost fully engaged. But the main factor appears to be that a high proportion of the job applications relate to the services sector and come from persons without sufficient vocational training. The number of unfilled vacancies, on the other hand, remains high and in the third quarter was up 54.4 % on a year earlier. The vacancies are mainly in industry.

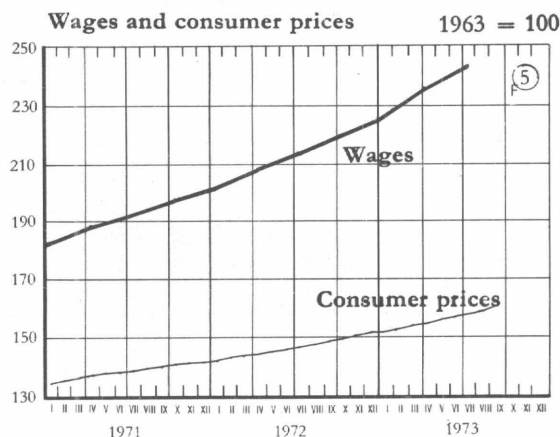
The shortage of skilled labour is one reason for the sharp rise in wages, which has gathered additional momentum since the beginning of the year and at present appears to have reached an annual rate of more than 15 %; these increases are being granted all the more readily as they can to a large extent be passed on in selling prices.

The sustained growth of demand and the high level of industrial activity have helped maintain strong pressure to *import*. In the third



quarter the value of purchases from abroad was 28.3 % higher than a year earlier.

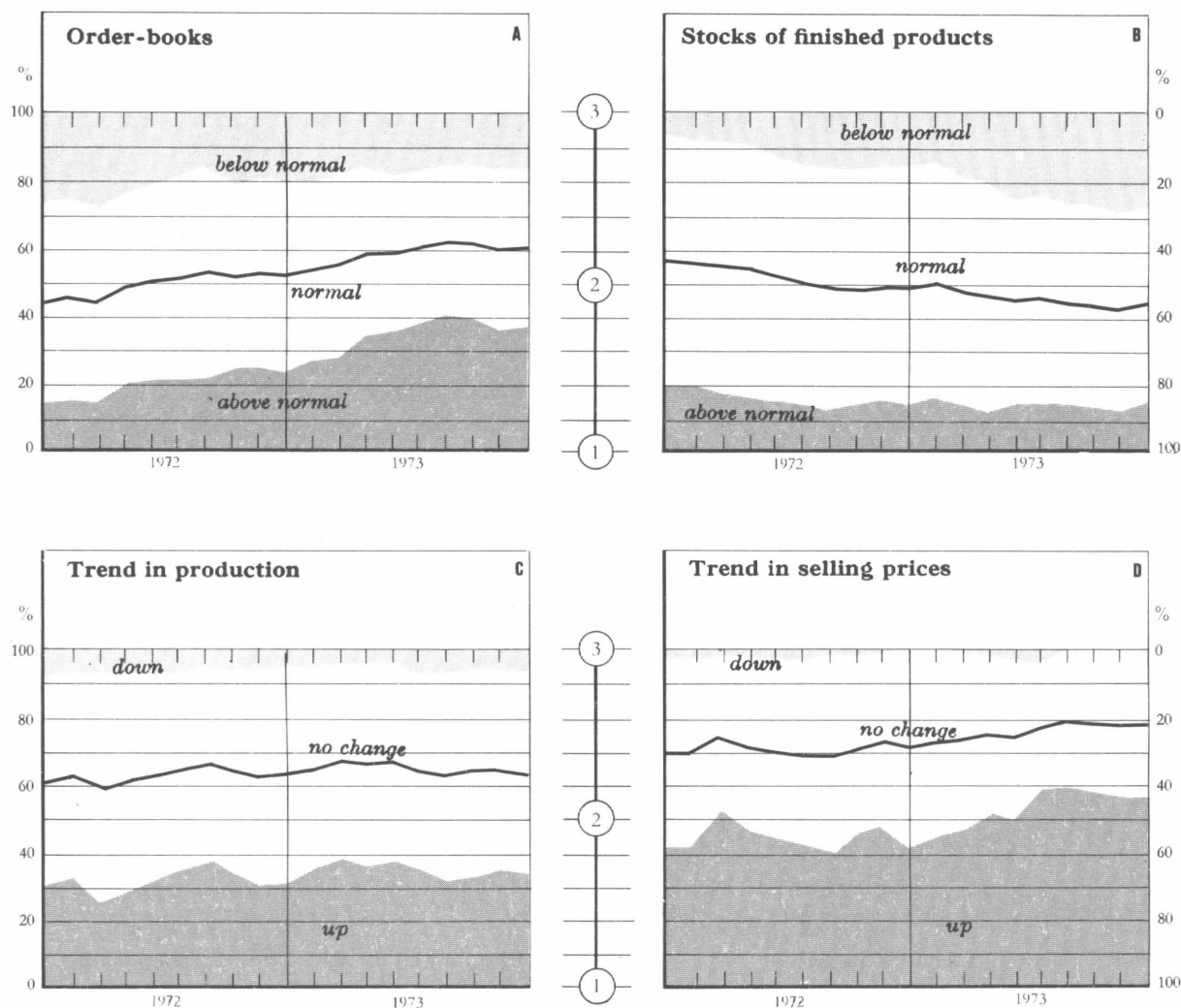
*Prices* have continued to rise at the rapid pace recorded since the second quarter. The consumer price index calculated by INSEE is now rising at an annual rate of almost 10 %. Food prices have continued to show the



sharpest increase, but the prices of manufactured products (clothing, motor vehicles) are also tending to climb more rapidly. In September the consumer price index was up 7.9 % on September 1972 despite an interruption of the rise in the first quarter.

The deficit on the *balance of trade* (cif-fob, adjusted for seasonal variations) has continued

BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Answers to questions in the EEC business survey, carried out in France by INSEE.

GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

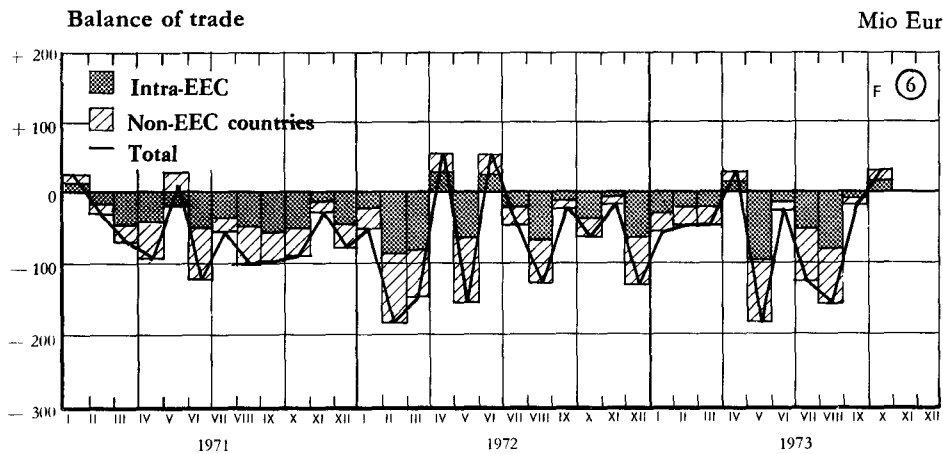
The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".



to widen slightly for a number of months. In the third quarter, the long-term capital account showed a fairly heavy deficit while it had been in equilibrium a year earlier. The

speculative movements (including variation in the timing of settlement of accounts) triggered in September entailed an appreciable deterioration in the balance on short-term



*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in Ffr '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	159.5	+ 9.0	+ 12.3	+ 13.5	+ 18.0
Gross fixed asset formation	231.4	+ 7.0	+ 12.4	+ 8.1	+ 14.8
Public current expenditure on goods and service	111.7	+ 3.9	+ 11.1	+ 3.6	+ 11.7
Private consumer's expenditure	532.7	+ 5.8	+ 11.7	+ 6.2	+ 14.5
Gross national product	904.2	+ 5.4	+ 11.4	+ 6.2	+ 13.8
Imports <sup>3</sup>	152.3	+ 10.3	+ 13.2	+ 14.0	+ 20.0

<sup>1</sup> Rapport sur les comptes de la Nation 1972. Ministère de l'Economie et des Finances.

<sup>2</sup> Estimates.

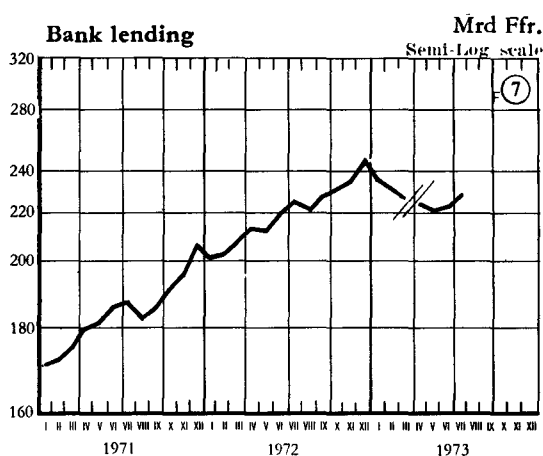
<sup>3</sup> Goods, services and factor income.

*Note :*

The forecasts are approximations based on hypotheses set out in this Quarterly Survey. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

capital account and caused the overall balance of payments to close with a deficit in the third quarter. However, speculation was rapidly checked by energetic government action; more recently, the rise in deposit interest rates has contributed to a certain strengthening of the French franc. Official monetary reserves fell from 9,600 million u.a. in June to 9,300 million u.a. in September.

The growth of *domestic liquidity* was moderate despite a rather sharp rise in the stock of near-money. In the first eight months of the year the money supply increased by no more than 5.9 % while in the corresponding period of 1972 it had gone up by 10.5 %. This slowdown was achieved despite the expansionary effect of Treasury transactions. In the period from January to July, the growth of bank lending to business and private



customers was much slower than during the same period last year (6.6 % as against 11.3%). Moreover, some liquidity was siphoned off through an increase in compulsory reserves and developments in the foreign trade sector. Interest rates on the money market went up sharply and the Banque de France had to raise its discount rate twice in the third quarter, eventually to 11 %.

### Major economic policy measures

#### July 1973

— A draft decree increasing family allowances by 6.95 % from 1 August was submitted to the board of the institution paying out these allowances.

— Electricity tariffs were raised from 3 % to 3.6 % with effect from 30 July. Gas tariffs went up from 4 % to 5 % on the same date.

#### August

— From 2 August the discount rate was raised from 8.5 % to 9.5 % and the rate for advances on securities from 10 % to 11 %.

— The French banks put up their base rate from 8.20 % to 9.20 %. As a result the minimum rate for discounting trade bills rose from 8.6 % to 9.6 %.

— A decree amended the rules governing the function of brokers on the stock market. In order to attract a larger number of medium-sized companies to the unofficial market and make it easier for them to adjust to it, brokers will in future be able, on certain conditions, to buy and sell on this market for their own account.

— Exchange controls on outflows of capital and on all business relating to current transactions were eased further from 11 August. The currency allowance for travellers was increased appreciably and transfers to foreign countries of up to Ffr1,500 per transaction were allowed without justification,

— The new scheme providing an incomes guarantee to workers aged over 60 and having lost their jobs entered into force on 13 August 1973, improving the incomes of the lowest paid.

— The single income allowance paid to 1,200,000 families with low incomes was raised by 20 % at the end of August. From 1 August family allowances were put up by 6.90 % (bringing the increase on 1 August 1972 to 10 % in total, and to 14 % in certain cases).

#### September

— At the beginning of September the Government approved a bill making available tax concessions to private sector companies which distribute shares to their employees. Employees in their turn will be able to deduct from their taxable incomes up to Ffr 3,000 of the money spent on the purchase of these shares.

— The French Council of Ministers approved an 0.75 % increase in officials' basic salaries from 1 August.

— A wage agreement was signed in the French coalmining industry providing for a 2.5 % increase in all basic elements of pay from 1 August.

— On 19 September the French Council of Ministers adopted the draft budget for 1974. This draft budget, which is in equilibrium, provides for a reduction in the tax burden on the low paid. The increase in expenditure is slightly lower than the growth of GNP in money terms expected for 1974.

— With effect from 21 September the discount rate was increased from 9.5 % to 11.0 % and the rate for advances on securities from 11 % to 12.5 %. The minimum reserve ratio applicable to residents' sight deposits was raised from 12 % to 14 % while the reference date for computing compulsory reserves was moved by six months (from 30 June 1972 to 4 January 1973). First estimates suggest that the two latter measures will reduce the banking system's liabilities to the Central Bank by Ffr 8,000 million.

At the same time the monetary authorities published the permitted annual rates of increase in credit outstanding; these are 14 % by the beginning of November, 13.5 % by the beginning of December and 13 % by the beginning of January 1974.

— The French Council of Ministers approved a set of social measures concerning the aged, families and widows. The cost involved is Ffr 2,000 million for a full year.

— The banks raised their base rate from 9.2 % to 10.4 %, the eighth increase in a year; the banks' minimum rate for discounting trade bills went up from 9.60 % to 10.80 %, and that for current account overdrafts from 10.25 to 11.45 %.

— Following the recent recovery of the French franc on the foreign exchange markets, the Banque de France decided to remove, from 28 September, the restrictions on loans in French francs granted by French banks to borrowers abroad.

#### October

— The statutory minimum growth wage (SMIC) was raised to Ffr 5.32 an hour from 1 October, an increase of 2.3 % on 1 July. This brought the rise since October 1972 to 23.7 %.

— The salaries of officials were raised by 3 % from 1 October. Other measures concerning the public service were taken in the field of pensions, regional salary differentials and family supplements.

— The Council national du Crédit tightened the sanctions on banks failing to comply with the minimum reserve requirements and authorized the credit institutions to put up their commission rate.

— The Minister of Economics and Finance published the terms of the new loan designed to replace the "Pinay" loan; the latter may be redeemed without cost to holders, or commuted into bonds issued under the new loan, likewise with a gold guarantee, bearing interest at 4.5 % but not exempt from death duty.

— The Government took a number of measures to check the fall in producer prices for meat.

— At the end of October the National Assembly passed the outline law on commerce and crafts:

— in the field of competition, a ban was placed on loss leaders, sales with gifts thrown in, excessive discounts and misleading advertising. The opening and extension of supermarkets were made subject to authorization by the "commissions départementales d'urbanisme commercial", with one half of the members being representatives of local shopkeepers and craftsmen and the other half representatives of local government.

— For children wishing to learn a manual trade, the last two years of compulsory school attendance may be replaced by preparatory apprenticeship.

— taxation of the self-employed will be aligned to the system applying to wage and salary earners;

— in the field of social security, the insurance schemes operated by small business (health and old age) will be progressively harmonized with the general system while a number of additional advantages will be granted;

— lending will be facilitated so as to promote the modernization and conversion of enterprises.

#### November

— From 3 November, trading margins were frozen for a number of products (beef, fruit and

*vegetables, footwear, etc) ; at the same time, the authorities defined the concept of "excessive trading margin".*

*All industrial products for which free price formation had been restored in the spring were made subject again to the system of "controlled programming", except for firms employing fewer than 20 persons.*



TABLE 1: Key indicators

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					1963=100
Gross national product	+ 5.0	+ 7.7	+ 6.0	+ 5.5	+ 5.4	165
Industrial production	+ 5.4	+ 8.5	+ 6.7	+ 5.7	+ 5.8	175
Total imports	+ 19.7	+ 22.5	+ 8.1	+ 11.2	+ 10.3	262
Private consumers' expenditure	+ 4.6	+ 6.4	+ 4.9	+ 6.1	+ 5.8	160
Public current expenditure on goods and services	+ 4.6	+ 4.9	+ 3.2	+ 4.1	+ 3.9	139
Gross fixed asset formation	+ 5.5	+ 10.9	+ 7.5	+ 5.6	+ 7.0	198
Total exports	+ 9.5	+ 17.5	+ 17.9	+ 14.0	+ 9.0	265
Gross national product per head of population	+ 4.2	+ 6.8	+ 5.1	+ 4.5	+ 4.5	152
Gross national product per person in employment	+ 5.1	+ 6.0	+ 4.6	+ 4.8	+ 4.7	154
	% change by value on preceding year					
Gross income per employee	+ 12.5	+ 11.3	+ 10.1	+ 10.1	+ 10.4	220

TABLE 2: Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	+ 81	- 830	+ 724	+ 1 602	+ 1 548
as percentage of GNP	+ 0.06	- 0.6	+ 0.5	+ 1.0	+ 0.9
Unemployment rate	1.8	1.7	1.8	2.2	2.4
price index of private consumers' expenditure (% change on preceding year)	+ 4.7	+ 7.0	+ 5.1	+ 5.5	+ 5.6

# France

TABLE 3 : Foreign trade (at current prices)

	% change on preceding year					1968 - 100	Million Eur	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
Total	+ 11.4	+ 17.4	+ 19.2	+ 14.6	+ 15.6	290	23 469	100.0
Intra-EEC	+ 16.0	+ 30.6	+ 21.7	+ 16.0	+ 16.5	379	11 708	49.9
To non-EEC countries	+ 8.1	+ 7.5	+ 16.9	+ 13.2	+ 14.4	236	11 761	50.1
<b>Exports of food, beverages and tobacco</b>								
Total	+ 19.8	+ 20.8	+ 6.0	+ 26.9	+ 20.6	331	4 150	17.7
Intra-EEC	+ 26.6	+ 41.9	+ 1.8	+ 31.4	+ 22.2	548	2 612	11.1
To non-EEC countries	+ 12.8	- 3.3	+ 13.2	+ 20.3	+ 17.9	198	1 538	6.6
<b>Exports of raw materials, fuel and power</b>								
Total	+ 1.6	+ 10.6	+ 12.1	+ 7.0	+ 19.5	191	1 783	7.6
Intra-EEC	+ 0.9	+ 19.9	+ 14.2	+ 3.6	+ 19.3	229	1 150	4.9
To non-EEC countries	+ 2.6	- 3.5	+ 7.9	+ 13.8	+ 19.9	146	633	2.7
<b>Exports of semi-finished and finished industrial goods</b>								
Total	+ 10.9	+ 17.5	+ 23.1	+ 12.9	+ 13.9	298	17 536	74.7
Intra-EEC	+ 16.2	+ 29.0	+ 29.7	+ 13.8	+ 14.4	376	7 946	33.9
To non-EEC countries	+ 7.8	+ 10.2	+ 18.1	+ 12.2	+ 13.6	254	9 590	40.8
<b>Visible imports</b>								
Total	+ 12.5	+ 23.7	+ 9.9	+ 11.3	+ 15.2	278	24 259	100.0
Intra-EEC	+ 23.1	+ 31.3	+ 6.5	+ 13.9	+ 15.9	391	12 218	50.4
From non-EEC countries	+ 4.4	+ 16.7	+ 13.3	+ 8.8	+ 14.5	215	12 043	49.6
<b>Imports of food, beverages and tobacco</b>								
Total	+ 2.7	+ 19.5	+ 6.9	+ 4.1	+ 15.7	194	2 956	12.2
Intra-EEC	+ 31.8	+ 33.4	+ 3.9	+ 14.3	+ 11.2	376	1 035	4.3
From non-EEC countries	- 6.4	+ 13.5	+ 8.4	- 0.9	+ 18.3	151	1 921	7.9
<b>Imports of raw materials, fuel and power</b>								
Total	+ 3.6	+ 10.6	+ 11.9	+ 15.0	+ 8.5	182	5 614	23.1
Intra-EEC	+ 14.2	+ 11.4	+ 9.0	+ 17.2	+ 7.1	183	919	3.8
From non-EEC countries	+ 1.7	+ 10.5	+ 12.5	+ 14.6	+ 8.8	182	4 695	19.3
<b>Imports of semi-finished and finished industrial goods</b>								
Total	+ 19.6	+ 30.3	+ 9.8	+ 11.4	+ 17.7	384	15 689	64.7
Intra-EEC	+ 23.3	+ 33.3	+ 6.6	+ 13.5	+ 17.3	437	10 262	42.3
From non-EEC countries	+ 13.3	+ 24.6	+ 16.1	+ 7.5	+ 18.5	312	5 427	22.4

TABLE 4 : Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production (1963 = 100)</b>	1971	153.0	155.7	157.2	154.2	153.8	156.2	160.7	160.6	164.3	162.2	165.0	164.4
	1972	166.6	165.9	167.7	166.3	169.5	169.0	163.3	172.7	175.5	173.4	178.4	180.2
	1973	183.5	184.6	185.1	177.7	188.0	183.9	177.9	189.0	184.4			
<b>Number of persons seeking employment (1 000)</b>	1971	305.3	303.3	308.2	315.2	322.6	329.5	340.4	347.6	359.4	369.9	372.7	373.5
	1972	365.0	365.9	368.8	375.6	381.9	379.6	389.3	393.7	398.1	401.9	394.5	390.0
	1973	373.0	363.0	360.6	365.4	368.8	368.8	389.3	398.4	430.5			
<b>Construction : building permits issued for housing (1 000)</b>	1971	48.7	56.5	67.5	53.7	48.7	60.7	52.7	48.6	52.3	54.1	60.4	56.8
	1972	63.6	56.2	49.3	50.2	54.4	50.0	50.5	47.6	50.9	59.8		
	1973												
<b>Private consumers' expenditure : turnover of department stores (1963 = 100)</b>	1971	178.1	178.5	175.8	183.7	173.4	185.8	179.4	176.1	177.2	178.0	189.2	183.7
	1972	181.3	189.5	192.5	178.5	185.7	192.7	183.9	190.7	198.3	185.9	192.8	192.1
	1973	190.8	195.6	197.9	189.3	206.0	208.6	183.8	196.6	196.7			
<b>Consumer prices (1963 = 100)</b>	1971	134.2	134.8	135.4	136.2	137.1	137.8	138.2	138.8	139.4	140.2	140.7	141.4
	1972	141.8	142.6	143.2	143.7	144.5	145.3	146.5	147.3	148.2	149.5	150.4	151.2
	1973	151.2	151.6	152.4	153.4	154.9	156.0	157.4	158.4	159.8			
<b>Visible imports (million Eur)</b>	1971	1 491	1 617	1 741	1 706	1 642	1 798	1 749	1 858	1 851	1 858	1 836	1 921
	1972	1 818	2 013	2 019	1 813	2 126	1 940	1 810	2 078	2 101	2 153	2 171	2 241
	1973	2 311	2 244	2 311	2 116	2 646	2 378	2 420	2 540	(2 498)	(2 820)		
<b>Visible exports (million Eur)</b>	1971	1 516	1 595	1 672	1 629	1 652	1 678	1 698	1 757	1 754	1 761	1 813	1 840
	1972	1 763	1 828	1 874	1 869	1 972	1 993	1 764	1 961	2 079	2 089	2 153	2 111
	1973	2 255	2 151	2 219	2 148	2 462	2 352	2 314	2 379	(2 474)	(2 471)		
<b>Balance of trade (million Eur)</b>	1971	+ 25	- 22	- 69	- 77	+ 10	- 120	- 51	- 101	- 97	- 92	- 23	- 81
	1972	- 55	- 185	- 145	+ 56	- 154	+ 53	- 46	- 127	- 22	- 68	- 18	- 130
	1973	- 66	- 93	- 92	+ 32	- 184	- 26	- 106	- 161	(- 24)	(- 349)		
<b>Official gold and foreign exchange reserves (million Eur)</b>	1971	5 346	5 404	5 487	5 559	5 626	5 653	6 150	7 626	7 308	7 270	7 492	7 601
	1972	7 748	7 804	7 802	7 798	7 809	8 657	9 144	9 176	9 230	9 224	9 228	9 224
	1973	9 220	8 821	9 270	9 501	9 622	9 609	9 615	9 316	9 304			
<b>Money supply (Ffr '000 million)</b>	1971	229.4	232.6	234.3	233.7	237.2	240.4	243.9	244.4	244.9	248.5	248.5	251.3
	1972	255.7	257.3	263.3	261.9	264.6	270.9	274.3	275.4	281.1	281.2	288.6	286.5
	1973	290.0	291.0	294.8	299.5	302.8	301.2	297.3	301.3				

## NOTES TO GRAPHS AND TABLES

Source: Statistical Office of the European Communities (except as otherwise indicated). Conversion into Eur account (1 Eur = 0.888671 g of fine gold).

— For the intra community trade the new Community countries have not yet been taken into account.

*Graph 1*

Exports fob: series adjusted for seasonal variations; three-month moving averages.

*Graph 2*

Industrial production: excluding construction, food, beverages and tobacco; adjusted for seasonal variations; three-month moving averages.

*Graph 3*

Labour market; series adjusted for seasonal variations; three-month moving averages; position at end of month; unemployed — number of persons seeking employment.

*Graph 4*

Imports cif: series adjusted for seasonal variations; three-month moving averages.

*Graph 5*

Wages and consumer prices; index of hourly wage rates, all activities, all regions; national index of consumer prices; from January 1971 new index of 295 items.

*Graph 6*

Balance of trade: difference in terms of value between imports and exports, seasonally adjusted.

*Graph 7*

Bank lending; source: Conseil National du Cr dit; short-term loans (up to 2 years) from monetary institutions to business and private customers; position at end of month.

*Table 1*

GNP at market prices.

Industrial production: value added by industry.

Total exports and imports: goods, services and factor income.

Gross income per employee: income from paid employment (including employers' share of social insurance contributions).

*Table 2*

Balance exports less imports: as defined for the national accounts.

Unemployment rate: number of unemployed (persons available for and seeking employment, estimated on the basis of the number of job applicants, in the light of the latest population census) as percentage of the total domestic labour force.

Consumer prices: price index of private consumption adjusted by the GNP deflator, computed from the national accounts.

*Table 3*

Exports fob, imports cif; the products have been grouped on the basis of the Statistical and Tariff Classification for International Trade (CST): food, beverages and tobacco (Groups 0 and 1 CST), raw materials, fuel and power (Groups 2-4 CST), semi-finished and finished industrial goods (Groups 5-9 CST).

*Table 4*

Industrial production, excluding construction, food, beverages and tobacco: adjusted for seasonal variations.

Number of persons seeking employment: position at end of month, adjusted for seasonal variations.

Construction: seasonally adjusted number of dwellings authorized.

Private consumers' expenditure: turnovers by value, adjusted for seasonal variations.

Consumer prices: national index of 295 items since January 1971.

Imports cif, exports fob, adjusted for seasonal variations.

Balance of trade: difference between values of imports and exports, seasonally adjusted.

Official gold and foreign exchange reserves: gross reserves of gold and convertible currency held by the Banque de France and the Fonds de Stabilisation des changes, position at end of month.

Money supply: fiduciary circulation (total notes and coin in circulation, excluding notes and coin held by the Banque de France) plus sight deposits (deposits made with the Banque de France by private persons or enterprises, deposits with the Post Office giro or with public accountants, plus sight deposits relating to the activities of certain financing institutions in metropolitan France. Position at end of month, adjusted for seasonal variations.



## D. Ireland

*The growth of economic activity continued at a rapid pace in the course of the past few months under the influence of strong export demand and a vigorous development of the domestic sector. The rate of price increase has slowed down to a certain extent.*

The expansion of the economy has kept up its rapid pace during the past few months under the stimulus of strong global demand. Exports have remained dynamic and the growth of the domestic market has been reinforced.

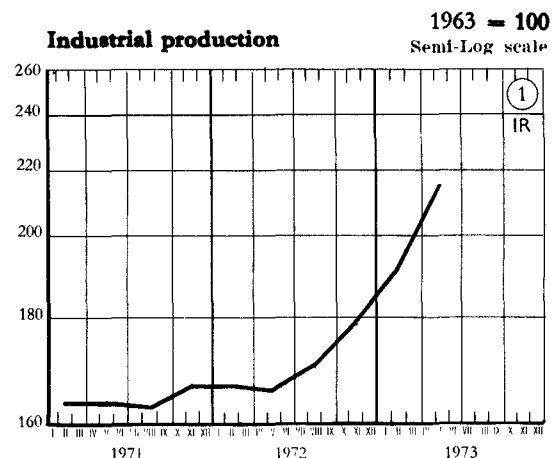
Because of the strong demand in the industrialised countries and in particular the Community, and without doubt also due to the effect of the depreciation of the pound on the competitive position of Irish goods, exports of manufactured products have registered a remarkable advance. The rate of growth in the period July-October on a year to year basis in value terms was 44 %. During the same period sales of agricultural products increased by 30 % principally due to the rise in meat prices and the rise in exports of dairy produce.

Private *investment* would appear, on the basis of an increase of 30 % in the value of imports of investment goods in the first ten months of the year to be progressing rapidly. The construction sector has made further advances; the latest figures for residential construction where a slight slowdown in activity was reported show an improvement. In the context of a strongly expansionary budgetary policy public investment has progressed at a lively pace.

Private *consumption* has continued to grow rapidly stimulated by the continuing rises in personal incomes brought about by large

salary increases and a continued upward movement in agricultural incomes in the course of the past year. In July and August retail sales were 21 % above their level of the previous year. During the period July-September the number of new car registrations was 30 % above last year's figure.

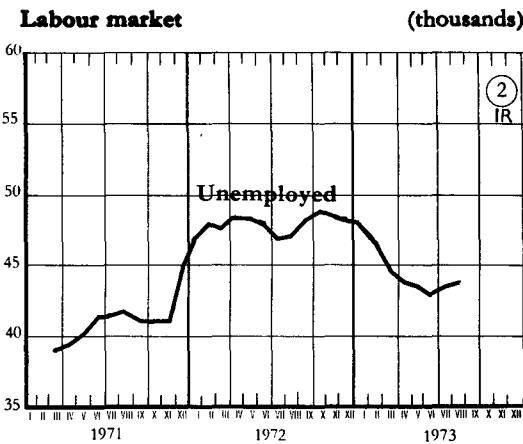
All sectors of *production* made important progress. Industrial production grew by 13 % in the first half of 1973 as compared to the same period of 1972. Agricultural output also expanded significantly judging by the



favourable harvest and the increase in livestock; in June cattle under one year old increased by 13.5 %. In the tourist sector a revival of activity is suggested by the 12 % increase in visitors in the first eight months

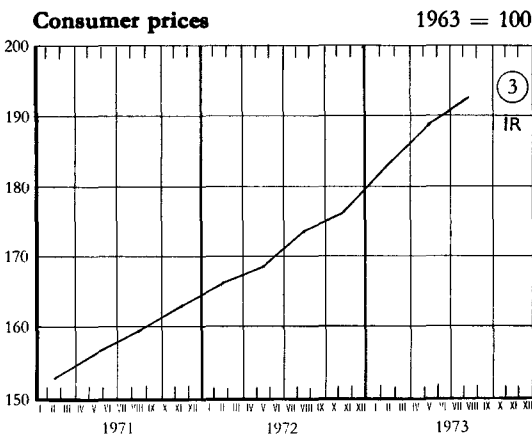
of the year over the admittedly low level in 1972.

*Employment* has continued to grow. In the first half of 1973 employment in manufacturing industry was on average 5,800 or 3 % higher than in the first half of 1972. Unemployment which, on the basis of seasonally



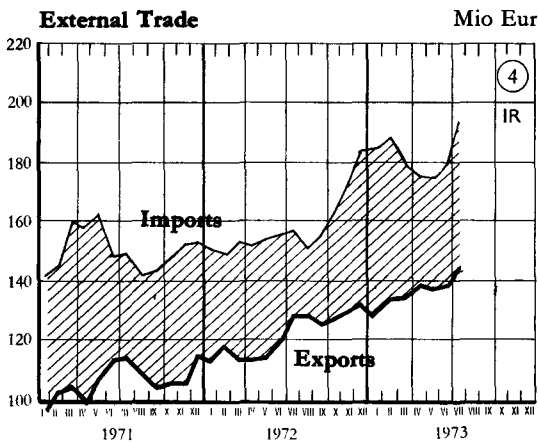
adjusted figures, increased from April to August, partly perhaps due to the difficulties in the construction sector, has more recently stabilised.

The rise in *prices* has slowed down slightly, mainly due to the fall in food prices in recent months brought about by the good harvest. In mid-August the consumer price index was

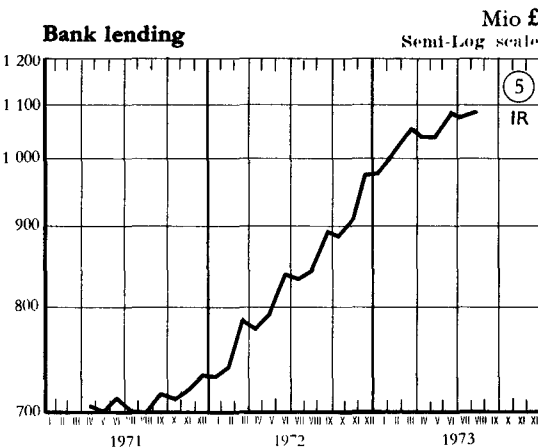


11.2 % over the level of the previous year. However, this is still one of the highest rates in the Community.

*Imports* have continued to increase rapidly; their value increase for the period July-October was above the corresponding months of 1972. The increase has not been confined to particular categories but has applied to all sectors. In the absence of recent figures for volume one can surmise that much of this increase has been brought about by the rise in raw material prices and the depreciation of the pound sterling. Because of the strong increase in imports and also presumably due to a slight worsening in the terms of trade the *commercial balance* has disimproved significantly. Since the services balance has improved



the current account is unlikely to have deteriorated. Official reserves have increased substantially in recent months and at the end of October they reached 441.9 million pounds sterling, as against 404,6 million at the end of March. The money supply (M3) has continued to grow rapidly and in August it was 22.5 % above the corresponding figure for 1972.



## Demand for and supply of goods and services

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in £ '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	758	+ 2.5	+ 13.9	+ 16	+ 30
Gross fixed asset formation	431	+ 2.2	+ 11.4	+ 10	+ 21
Public current expenditure on goods and services	271	+ 8.9	+ 22.5	+ 7	+ 20
Private consumer's expenditure	1,270	+ 4.0	+ 12.8	+ 6½	+ 18
Gross national product	1,897	+ 3.0	+ 16.6	+ 6½	+ 19
Imports <sup>3</sup>	854	+ 6.5	+ 10.5	+ 20	+ 32

<sup>1</sup> Statistical Office of the European Communities.

<sup>2</sup> Estimates.

<sup>3</sup> Goods, services and factor income.

### Note :

The estimates are approximations based on the hypotheses set out in the Quarterly Survey. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

## Major economic policy measures

### July 1973

— The Government sanctioned increases in the prices of milk, petroleum products, gas and certain other goods recommended by the National Prices Commission. Increases in passenger and freight transport charges from 12 1/2 to 25 % were also approved.

### August

— The Associated Banks raised their interest rates on 3 August. Lending rates were increased by 1 1/2 %. Rates on deposits under £ 25,000 rise by 1 1/2 % and sums over £ 25,000 by 2 1/4.

— The National Prices Commission recommendations for an increase in prices of items of processed

food, fuel and clothing were accepted by the Minister for Industry and Commerce.

— The Minister for Health announced that from 4 April next everyone would be entitled to all hospital services without direct charge. The scheme will be financed through contributions and State payments of approximately £ 2 million.

— The Minister for Posts and Telegraphs announced an increase in the cost of TV licences from the beginning of October.

### September

— VAT was removed from food and increased on other items.

— The Associated Banks announced rises in their lending rates of 3/4 % with effect from 10 September.

*ber. Rates on deposits over £ 5,000 were raised by 1 %.*

*— The building societies increased their mortgage rates to 11 1/4 % and their interest rates on deposits to 8 % tax-free.*

*— The Government announced that it would revoke the 20 year tax-free period on mining profits.*

#### *October*

*— The first meeting of the Employer-Labour Conference took place on 12 October. Both the employer and trade union sides of the conference have been authorised to enter negotiations for a possible new national wage agreement.*

*— The building societies announced on 24 October that they will be making available an extra £ 6 mil-*

*lion immediately for new home loans. Allocations will be confined to loans not exceeding £ 7,500.*

*— The Minister for Industry and Commerce, on the recommendations of the National Prices Commission, sanctioned a 10 % rise in motor insurance rates and price increases on a wide range of goods including sugar, margarine, soups, tinned vegetables and fruit, soaps and coal. Price increases were also approved for certain motor cars, car tyres, building materials and animal feeding stuffs.*

*— The Minister for Industry and Commerce announced the appointment of a National Consumer Advisory Council. The Council of 15 members will have power to advise the Minister on the introduction of legislation to protect consumers and to press for the adequate enforcement of existing legislation where this is not being done.*



TABLE 1 : Key indicators

	1968	1969	1970	1971	1972	1972
	% change in volume on preceding year					Indices 1963 = 100
Gross national product	+ 7.7	+ 4.3	+ 2.5	+ 3.6	+ 2.9	140.3
Industrial production	+ 10.4	+ 6.6	+ 3.3	+ 4.1	+ 4.3	165.5
Total imports	+ 15.7	+ 13.4	+ 2.5	+ 4.1	+ 7.2	190.7
Private consumers' expenditure	+ 8.3	+ 4.3	+ 2.7	+ 3.2	+ 4.0	145.5
Public current expenditure on goods and services	+ 5.6	+ 6.9	+ 7.0	+ 3.3	+ 8.7	153.0
Gross fixed asset formation	+ 12.9	+ 19.7	- 1.2	+ 9.0	+ 2.1	187.3
Total exports	+ 9.0	+ 4.6	+ 4.4	+ 4.9	+ 3.4	172.3
Gross national product per head of population	+ 7.3	+ 3.9	+ 1.7	+ 2.7	+ 1.7	132.7
Gross national product per person in employment	+ 7.3	+ 3.7	+ 3.2	+ 3.1	+ 3.9	140.9
	% change in value on preceding year					
Gross income per employee	+ 8.7	+ 12.2	+ 14.0	+ 15.9	+ 15.1	216.3

TABLE 2 : Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance exports less imports					
in millions Eur	- 189.6	- 309.4	- 313.2	- 314.4	- 278
as percentage of GNP	- 6.0	- 8.5	- 7.8	- 6.8	- 5.2
Unemployment rate	6.7	6.4	7.2	7.2	8.1
prices to private consumers (% change on preceding year)	+ 4.7	+ 7.0	+ 8.4	+ 9.1	+ 8.7

# Ireland

TABLE 3 : Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Industrial production (1963 = 100)	1971		163			163			162			167	
	1972		167			166			171			179	
	1973		192			216							
Unemployed (1 000)	1971	39	39	40	40	41	41	42	43	39	42	45	48
	1972	48	48	47	51	48	46	46	49	49	48	48	48
	1973	46	45	44	43	43	44	44	44				
Construction : permits for residential construction (1 000)	1971		5.32			5.52			5.28			5.17	
	1972		5.48			6.7			6.6			6.4	
	1973		13.13			4.25							
Private consumers' expen- diture (1963 = 100)	1971	176	174	177	177	179	181	180	180	180	183	186	188
	1972	188	192	204	192	201	203	199	202	206	225	206	208
	1973	225	238	232	230	240	242	230	253				
Consumer prices (1963 = 100)	1971		152.4			156.5			159.7			162.9	
	1972		166.7			169.2			173.9			176.4	
	1973		183.4			189.0			193.6				
Visible imports (million Eur)	1971	145	150	188	140	162	144	147	146	153	149	153	153
	1972	151	146	166	146	157	168	148	140	176	175	170	206
	1973	181	180	178	173	177	194	218					
Visible exports (million Eur)	1971	111	102	101	98	124	123	106	107	108	105	102	138
	1972	103	117	121	103	120	139	129	118	132	134	127	139
	1973	122	143	142	134	142	145	148					
Balance of trade (million Eur)	1971	- 34	- 48	- 87	- 42	- 38	- 21	- 42	- 39	- 44	- 44	- 51	- 15
	1972	- 48	- 29	- 45	- 43	- 37	- 29	- 19	- 22	- 44	- 41	- 43	- 67
	1973	- 59	- 37	- 36	- 39	- 35	- 49	- 70					
Official gold and foreign exchange reserves (million Eur)	1971	704	790	801	801	795	808	797	864	898	910	966	916
	1972	966	956	979	989	972	957	941	922	907	927	972	1 037
	1973	1 004	980	971	975	978	959	978	1 012	1 061			
Money supply (million £)	1971				390.5	382.7	398.8	388.6	397.5	408.6	409.4	411.3	430.2
	1972	418.0	412.1	419.7	430.4	428.3	447.5	446.0	451.8	476.9	469.7	485.9	499.2
	1973	492.7	473.5	513.0	482.4	481.6	503.9	500.4	507.1				

## NOTES TO GRAPHS AND TABLES

Source: OECD; Main economic indicators (except as otherwise indicated).  
Conversion into Eur (1 Eur = 0.888671 g of fine gold).

### Graph 1

Industrial production: Mining and manufacturing industry; adjusted for seasonal variations.

### Graph 2

Unemployment: number of insured unemployed; adjusted for seasonal variations; three-month moving averages.

### Graph 3

Wages and consumer prices (not adjusted for seasonal variations): hourly earnings; manufacturing industry.

### Graph 4

External commerce: imports cif; exports fob: adjusted for seasonal variations; three-month moving averages.

### Graph 5

Bank lending: Credits to private sector (commercial banks); not adjusted for seasonal variations.

*Table 1*

GNP at market prices: NIEA; National income and expenditure accounts 1971.

Industrial production: ESRI; Volume of production; mining and manufacturing industry.

Total exports and imports: goods, services and factor income; NIEA.

Gross income per employee: Irish Statistical Bulletin (ISB); earnings and employment in total transportable goods industries.

*Table 2*

Balance exports less imports: as defined for the national accounts.

Unemployment rate: ISB; Percentage of insured persons on the live register.

Price index: ISB; Consumer price index.

*Table 3*

Industrial production: Mining and manufacturing industry; seasonally adjusted.

Unemployment: Number of insured unemployed; adjusted for seasonal variations.

Construction: Central Bank; Total of new dwellings begun or authorised; not seasonally adjusted.

Private consumers' expenditure: Retail Sales Index; seasonally adjusted.

Consumer prices: ISB; Consumer price index; not seasonally adjusted.

Visible trade: Imports cif, exports fob; seasonally adjusted.

Balance of trade: Difference between values of imports and exports; seasonally adjusted.

Official Gold and Foreign Exchange Reserves: CB; Official External Reserves, Monetary Authorities' reserves of gold and convertible currency, holdings of special drawing rights and reserve position in the IMF.

Money Supply: CB; Currency and current accounts (adjusted).



## E. Italy

*Economic recovery continued to make rapid progress in the summer, helped by a vigorous and general expansion in demand. The level of employment rose appreciably. The upsurge in prices remained very strong, despite some fall-off due mainly to the partial price freeze. The balance of payments on current account closed with a heavy deficit.*

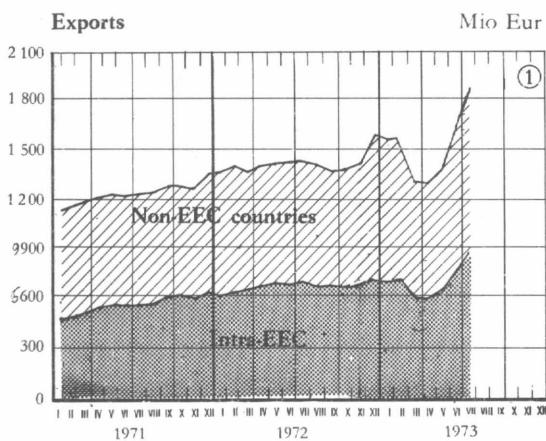
Vigorous economic recovery continued in the summer. In all major fields it was being supported by extremely lively growth in demand. With the inflationary trend in prices persisting, the propensity to spend seems to have increased in a number of important sectors.

Exports went on expanding very rapidly. The value of visible exports in the third quarter was as much as 28.5 % higher than a year

the summer by "Mondo Economico", and the results of the monthly business survey conducted by ISCO / "Mondo Economico" point to very fast expansion in investment on plant and machinery. Building investment too appears to have risen rapidly, and stock-building probably showed a similar trend.

Private consumer's expenditure likewise forged ahead, to judge from the above surveys and the trend in imports. In part, however, this was accounted for by the upsurge in the prices of consumer goods. The vigorous growth in disposable incomes continued, helped by a rise in the level of employment and especially by an increase in hourly wages as a result of new collective wage agreements and a further sharp increase in the index-linked cost of living supplements. There may also have been a decline in the propensity to save. The growth of demand for consumer durables appears to have accelerated.

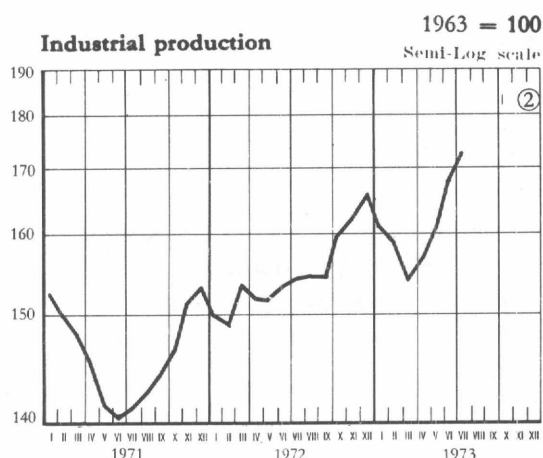
On the supply side, the rapid and general growth in *industrial production* continued, though probably at a slower pace than in the first half of the year<sup>1</sup>. It was particularly pronounced in the chemical, food, petroleum processing, textile and electricity producing industries. In the third quarter the increase on the compa-



earlier, when it had admittedly been comparatively low. Deliveries to the Community showed roughly the same underlying increase as those to non-member countries.

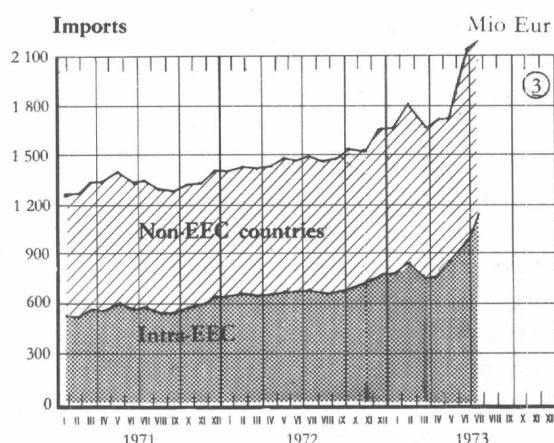
Domestic demand seems to have been particularly buoyant, especially where capital spending is concerned. Both the results of the half-yearly "Forum" survey, carried out in

<sup>1</sup> Because of the recent rebasing of the official index of industrial production (from 1966 to 1970) seasonally adjusted series are not yet available.



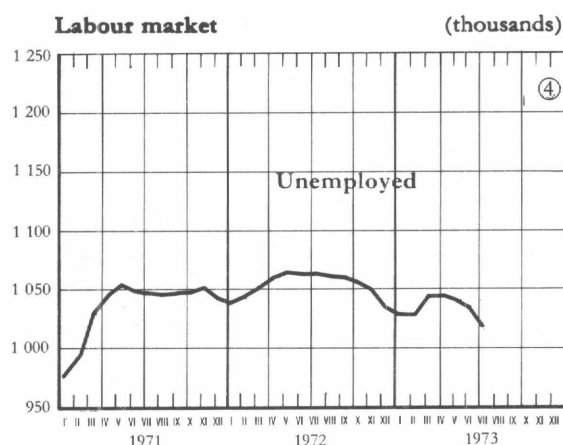
relatively low level of a year earlier was as much as 13.1 %.

The expansion in *imports* was even stronger. In the third quarter the value of visible imports was almost 60 % higher than in the

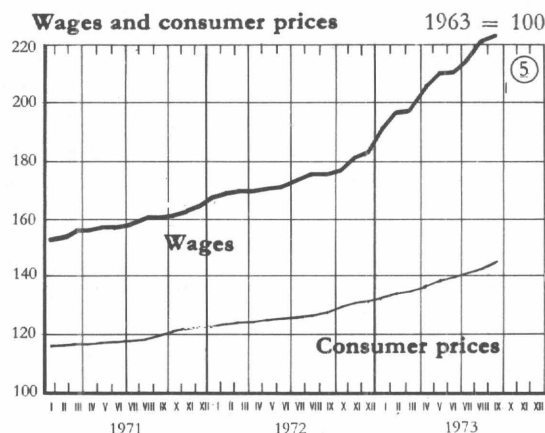


same period last year. This growth, however, was mainly a reflection of the rapid increase in average import prices due to the worldwide upsurge in commodity prices and the high rate, around the middle of the year, of the *de facto* devaluation of the lira. The rise in food imports was higher than average, owing to bottlenecks in agricultural production due to the weather.

Following an apparently weaker trend in the first half of the year, the *number of persons in paid employment* went up again distinctly in the summer. The ISTAT sample surveys at any rate suggest that in July it was 2.7 % higher than a year earlier. According to the same source, the number of unemployed was 16 % lower than in July last year.



The unusually rapid upsurge in *prices*, which gathered additional momentum until the middle of the year, has since then slackened distinctly<sup>1</sup>. But this slowdown has been due mainly to seasonal factors and the price freeze imposed in July on the products of large enterprises and a wide range of essential

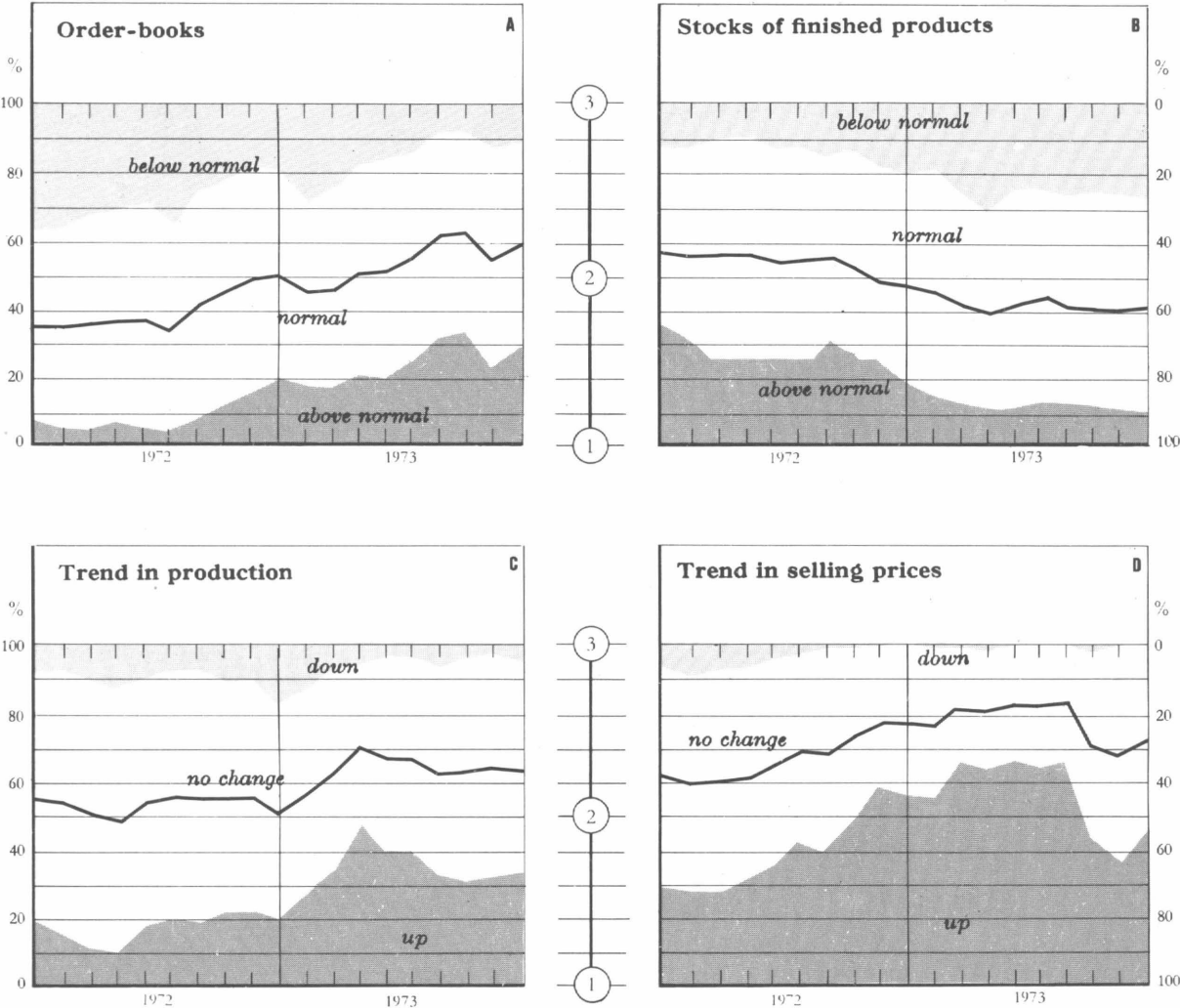


consumer goods. In the third quarter, the rise dropped to an annual rate of 7.0 % for consumer prices and 17.1 % for wholesale prices (as against 13.6 and 24.3 % in the second quarter). Even so consumer prices in September were still 11.3 % higher than a year earlier.

Following a marked deterioration in the second quarter, the *balance of payments* was back in surplus in the summer. The trade deficit, though still very heavy, tended if anything to

<sup>1</sup> See Quarterly Survey 2/1973, p. 66.

BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Answers to the questions in the EEC business survey, carried out in Italy by ISCO-Mondo Economico.

GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

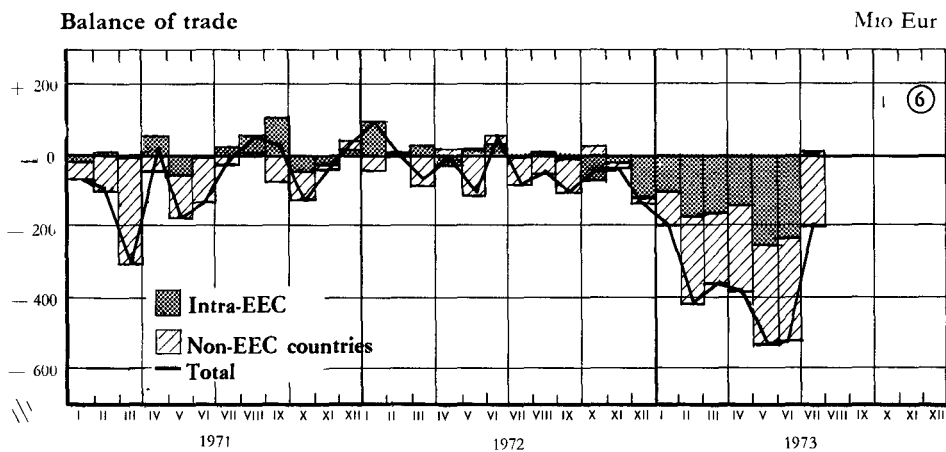
- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".





decline. In addition, the surplus on service transactions rose again for the first time in a fairly long period. Substantial inflows of capital due to the floating of additional loans abroad were another major factor. Together

with a number of credit policy measures by the monetary authorities, this caused the official gold and foreign exchange reserves, previously on a declining trend to rise appreciably (by Lit. 320,000 million) between the end of June



*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in Lit. '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	13,245	+ 11.2	+ 12.8	+ 7½	+ 19½
Gross fixed asset formation	12,680	— 0.2	+ 5.1	+ 7	+ 25½
Public current expenditure on goods and services	8,984	+ 4.2	+ 12.8	+ 4	+ 15
Private consumer's expenditure	40,375	+ 3.8	+ 9.9	+ 6½	+ 18½
Gross national product	63,120	+ 3.2	+ 9.3	+ 5½	+ 17
Imports <sup>3</sup>	12,419	+ 13.2	+ 15.6	+ 14½	+ 36½

<sup>1</sup> Relazione generale sulla situazione economica del Paese (1972).

<sup>2</sup> Estimates.

<sup>3</sup> Goods, services and factor income.

<sup>4</sup> At 1963 prices.

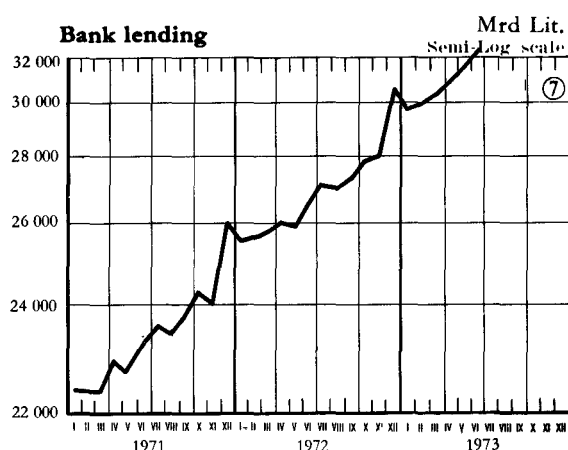
<sup>5</sup> At preceding year's prices.

*Note :*

The estimates are approximations based on certain hypotheses generally mentioned in the Quarterly Surveys. They are established and published on the sole responsibility of the Commission.

and the end of September. The commercial lira in the summer showed a firmer tendency than in the second quarter.

Even though lending maintained its lively growth, the banks' domestic liquidity expanded again for the first time in a fairly long period. In addition to payments transactions with abroad and the heavy deficit in the Treasury's cash transactions, this was due notably to substantial recourse by the banks to the Banca d'Italia.



Moving in line with the trend on international money markets, short-term interest rates tended distinctly upwards. The monetary authorities assisted this development by repeatedly raising the cost of recourse to the central bank and appreciably increasing the yield of treasury bills. On the other hand they endeavoured to keep long-term interest rates stable through selective measures of credit policy and frequent support-buying on the bond market.

## Major economic policy measures

### June

— The Community's system of short-term monetary support was activated and some central banks opened up short-term foreign exchange credit facilities to the Italian monetary authorities. At the end of July this totalled some \$ 5,000 million.

### July :

— Towards the end of the month the Government adopted a number of decree laws which introduced a

limited freeze on prices and rents and at the beginning of August were transformed into laws by Parliament. The price freeze affects a good half of aggregate private consumer's expenditure. Producer, wholesale and retail prices of certain necessities were frozen until the end of October at their levels of 16 July. For the period from 1 November 1973 until the end of July 1974, enterprises manufacturing or importing the goods covered may apply to CIP, the Inter-Ministerial Committee for Prices, for authorization to raise their selling prices. The CIP must decide on the application within 60 days of receiving it. At the same time the CIP may increase the margin between consumer prices and producer or import prices. Until the end of June 1974, the large trading and manufacturing enterprises (minimum turnover of Lit. 5,000 million in the first half of 1973) may increase their sales prices as at 28 June only after a period of 60 days has elapsed since filling the necessary prior notification with the CIP, provided this body has not rejected it, giving reasons for its decision. The period of validity of letting engagements for dwellings and business premises in town areas was extended until the end of January 1974; any escalator clauses in the agreements are null and void during this period. This does not include dwellings let to persons whose taxable income in 1973 is higher than Lit. 4,000 million.

— Also towards the end of the month a decree law was issued for reasons of price policy providing for increased imports of cereals and beef and veal by AIMA, the state buying and storage agency.

— On 26 July signing of a \$ 1,000 million ten-year foreign exchange loan to the state-controlled electricity company ENEL; arranged by a bank consortium led by S.G. Warburg, the British bankers, the loan carries a variable rate of interest.

— On 26 July the monetary authorities took selective measures of credit policy designed to limit the banks' scope for lending to large customers and to certain other clients, in an effort to promote lending to small and medium-sized industrial enterprises.

— On 27 July the authorities announced a number of measures designed mainly to defend the lira rate and introducing : a requirement to maintain a non-interest bearing cash deposit amounting to 50 % of future capital exports (25 % in the case of purchase of foreign investment fund certificates; at the beginning of August the cash deposit requirement

was lifted in respect of foreign investment funds placing all the resources raised in Italy in Italian securities); rules rendering it more difficult to make advance payments on import contracts; supervision of the transactions of brokers arranging foreign exchange and similar financial transactions with abroad; obligation on the foreign trade banks not only to continue keeping in balance their net foreign exchange position as a whole but also to maintain a virtually balanced position on dollars, on Community currencies and on other currencies.

— Towards the end of the month an international banking consortium granted the state-controlled "Mediobanca" a \$ 500 million foreign exchange loan for a period of 8 to 12 years. The interest rate is again slightly higher than the current rate ruling on the London Eurodollar market.

— On 31 July the Government presented the 1974 budget (appropriation account). According to information available by mid-September, revenue excluding proceeds from loan floated, is to be 10.1 % higher than the original figures in the 1973 estimates (the rise in the 1973 budget was 15.8 %). Expenditure, excluding redemption of debts, is to grow by 21.3 % (compared with 21.8 % in 1973). The deficit comes to Lit. 6,246,000 million (as against Lit. 3,736,000 million in 1973). Current expenditure is to grow by 21.5 % (23.6 %), which means that its share in total expenditure remains roughly unchanged, after rising in most of the previous years. The proportion of government expenditure to be financed initially outside the budget falls slightly to Lit. 1,231,000 (Lit. 1,298,000 million). With these expenditure, the proceeds from borrowing and redemption of debts taken into account and including the further sharp rise in the deficits of state-owned enterprises, the overall deficit comes to no less than Lit. 8,606,000 million, despite a large number of expenditure cuts and the intention not to allow the impending reform of direct taxation to reduce receipts. The relevant figure for 1973 was Lit. 5,976,000 million in the original budget but Lit. 8,800,000 million in the revised budget.

#### August

— Towards the middle of the month wages and salaries of many categories of public service employees were raised. According to information provided by this rise and other increases yet to be

granted is Lit. 500,000 million in 1973 and Lit. 1,000,000 million in 1974.

— Also towards the end of the month it was announced that Japanese banks would grant a ten-year \$ 50 million loan to ENI, a state-controlled enterprise. The interest rate is slightly higher than the current rate ruling on the London Eurodollar market.

#### September

— On 15 September the monetary authorities to raise a number of official rates; the yields of the six-month treasury bills to be issued in September-December was put up by 2 points to 9.6 %; the basic rates for the various types of central bank credit were increased to 6 1/2 % (from 4 % for rediscount credit, 3 1/2 % for ordinary advances against securities and 5 1/2 % for extraordinary advances against securities). The surcharge payable on the basic rate for rediscount credit when certain limits are exceeded was raised from 1 % to a maximum of 3 percentage points.

— With effect from 29 September the Government ordered a 14 to 19 % increase in the prices of some petroleum products (petrol, diesel fuel, heating oil) in order to improve the profit situation of the petroleum processing industry, under pressure as a result of the rapid increase in the price of crude, and to secure additional governments revenue (approximately Lit. 300,000 million for a full year).

#### October

— At the beginning of the month the monetary authorities issued an order lifting the surcharge on the basic rate for rediscount credits in respect of bills of exchange which small and medium-sized enterprises present for discounting with the commercial banks. The idea was to make it easier for these enterprises to obtain finance.

— Under an agreement between the Government and the unions, concluded towards the middle of the month, pensions, family supplements and unemployment benefits are to go up considerable from 1 January 1974. As a counterpart to this improvement in transfer incomes there will be cuts in social security spending, higher social security contribution from employers and additional government expenditure.

— *At the end of the month a decree law was issued under which taxpayers may opt for having pending tax disputes—of which there are very many at the moment—settled by agreement and in accordance with objective criteria. The main purpose*

*is to secure extra tax receipts, accruing in the short term, in order to offset the revenue shortfall which may be created by the reform of direct taxation due to enter into force on 1 January 1974.*

TABLE 1: Key indicators

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963=100
Gross national product	+ 6.4	+ 5.7	+ 4.9	+ 1.6	+ 3.2	149.2
Industrial production	+ 9.4	+ 6.9	+ 6.2	- 0.5	+ 3.9	157.4
Total imports	+ 7.3	+ 21.6	+ 17.5	+ 1.7	+ 13.2	195.5
Private consumers' expenditure	+ 4.9	+ 6.1	+ 7.8	+ 2.8	+ 3.8	196.4
Public current expenditure on goods and services	+ 4.1	+ 3.1	+ 1.9	+ 5.2	+ 4.2	139.1
Gross fixed asset formation	+ 9.7	+ 8.0	+ 3.4	- 3.2	- 0.2	117.8
Total exports	+ 15.3	+ 13.6	+ 6.6	+ 6.2	+ 11.2	267.2
Gross national product per head of population	+ 5.8	+ 5.1	+ 4.2	+ 1.1	+ 2.4	151.2
Gross national product per person in employment	+ 2.7	+ 7.0	+ 4.7	+ 1.9	+ 5.3	157.1
	% change by value on preceding year					
Gross income per employee	+ 7.4	+ 7.6	+ 15.1	+ 13.7	+ 11.0	237.7

TABLE 2: Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	+ 2 288	+ 1 928	+ 582	+ 1 321	+ 925
as percentage of GNP	+ 3.0	+ 2.3	+ 0.6	+ 1.3	+ 0.8
Unemployment rate	3.5	3.4	3.1	3.1	3.6
consumer prices (% change on preceding year)	+ 1.5	+ 2.9	+ 5.3	+ 5.3	+ 5.9

TABLE 3: Foreign trade (at current prices)

	% change on preceding year					Indices 1963=100	Million Eur	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
Total	+ 17.0	+ 15.2	+ 12.6	+ 13.4	+ 14.4	340	17 131	100.0
Intra-EEC	+ 20.9	+ 22.2	+ 13.6	+ 17.9	+ 15.6	431	7 731	45.1
To non-EEC countries	+ 14.5	+ 10.5	+ 11.9	+ 9.9	+ 13.4	289	9 400	54.9
<b>Exports of food, beverages and tobacco</b>								
Total	- 3.7	+ 15.6	+ 9.2	+ 16.2	+ 17.9	218	1 504	8.8
Intra-EEC	- 1.3	+ 21.4	+ 5.7	+ 24.9	+ 20.4	268	875	5.1
To non-EEC countries	- 6.1	+ 9.3	+ 13.4	+ 6.3	+ 14.6	173	629	3.7
<b>Exports of raw materials, fuel and power</b>								
Total	+ 14.1	+ 1.4	+ 10.3	+ 17.5	- 2.8	239	1 131	6.6
Intra-EEC	+ 14.7	- 2.0	+ 9.6	+ 15.0	- 4.5	315	402	2.3
To non-EEC countries	+ 13.7	+ 3.6	+ 10.6	+ 18.9	- 1.8	211	729	4.3
<b>Exports of semi-finished and finished industrial goods</b>								
Total	+ 20.0	+ 16.7	+ 13.2	+ 12.7	+ 15.6	373	14 496	84.6
Intra-EEC	+ 25.4	+ 24.9	+ 15.0	+ 17.3	+ 16.5	482	6 454	37.7
To non-EEC countries	+ 16.7	+ 11.5	+ 11.9	+ 9.3	+ 15.0	316	8 042	46.9
<b>Visible imports</b>								
Total	+ 4.3	+ 21.4	+ 19.4	+ 5.9	+ 12.5	236	17 810	100.0
Intra-EEC	+ 9.1	+ 29.9	+ 27.4	+ 9.3	+ 19.0	322	7 994	44.9
From non-EEC countries	+ 1.8	+ 16.6	+ 14.3	+ 3.6	+ 7.7	194	9 816	55.1
<b>Imports of food, beverages and tobacco</b>								
Total	+ 8.5	+ 14.9	+ 18.0	+ 20.5	+ 15.7	263	3 481	19.5
Intra-EEC	+ 29.0	+ 26.8	+ 20.9	+ 32.4	+ 26.7	663	1 592	8.9
From non-EEC countries	+ 0.9	+ 9.2	+ 8.1	+ 13.3	+ 7.8	175	1 889	10.6
<b>Imports of raw materials, fuel and power</b>								
Total	+ 1.0	+ 13.0	+ 11.8	+ 8.9	+ 4.6	205	5 325	29.9
Intra-EEC	- 3.0	+ 20.6	+ 16.6	+ 4.2	+ 14.3	261	882	4.7
From non-EEC countries	+ 1.7	+ 11.8	+ 11.0	+ 9.8	+ 3.0	198	4 493	25.2
<b>Imports of semi-finished and finished industrial goods</b>								
Total	+ 8.6	+ 31.0	+ 27.1	- 0.5	+ 16.5	248	9 004	50.6
Intra-EEC	+ 8.1	+ 32.4	+ 30.8	+ 5.2	+ 17.7	291	5 570	31.3
From non-EEC countries	+ 9.2	+ 29.0	+ 22.2	- 8.8	+ 14.5	202	3 434	19.3

TABLE 4: Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production</b> (1963 = 100)	1971	148.0	150.4	148.2	145.1	147.3	147.5	147.1	136.8	152.3	156.3	155.7	156.7
	1972	155.2	154.6	150.2	150.3	153.7	154.0	153.3	155.2	154.2	169.5	162.1	164.3
	1973	154.5	154.5	151.2	164.6	167.3	172.6	177.0	173.0	175.1			
<b>Unemployed</b> (1 000)	1971	996.4	1 014.2	1 030.3	1 042.4	1 049.7	1 047.2	1 046.4	1 044.6	1 043.6	1 040.5	1 040.5	1 041.9
	1972	1 041.0	1 052.9	1 056.1	1 057.8	1 054.9	1 055.6	1 050.4	1 051.3	1 052.2	1 044.7	1 031.9	1 009.1
	1973	1 040.3	1 031.1	1 043.2	1 045.7	1 019.6	1 022.6	1 005.6					
<b>Construction: permits for residential construction</b> (1 000)	1971	25.0	24.6	24.6	27.3	27.7	26.1	27.5	25.8	23.6	25.5	31.7	44.7
	1972	29.5	27.1	23.6	27.1	28.3	31.6	25.5	23.1	28.0	30.4	32.7	30.4
	1973	35.7	31.0	32.3	30.7	34.6							
<b>Private consumers' expenditure: department store turnover</b> (1963 = 100)	1971	201.1	197.3	191.0	215.3	199.4	192.8	203.0	195.7	215.7	207.6	213.6	207.4
	1972	205.7	222.6	229.6	194.6	222.5	214.2	216.1	226.2	249.5	220.8	222.5	232.7
	1973	237.1	254.3	247.7	257.7	258.1	239.8	254.0					
<b>Consumer prices</b> (1963 = 100)	1971	131.8	132.3	132.8	133.2	134.0	134.1	134.5	134.7	135.6	136.9	136.9	137.4
	1972	138.0	138.7	139.1	139.4	140.6	141.4	141.9	142.8	144.2	145.8	146.9	147.6
	1973	149.1	150.9	152.5	154.0	156.3	157.7	158.6	159.6	160.5	(161.6)		
<b>Visible imports</b> (million Eur)	1971	1 219.4	1 354.7	1 490.5	1 174.4	1 390.6	1 282.8	1 228.3	1 341.5	1 262.3	1 345.1	1 272.3	1 482.9
	1972	1 374.6	1 362.9	1 466.2	1 337.6	1 467.9	1 417.7	1 464.7	1 451.4	1 479.3	1 575.8	1 466.8	1 902.2
	1973	1 596.9	1 880.0	1 437.2	1 735.6	2 195.0	2 401.8	2 175.6	2 168.1	(2 483.0)			
<b>Visible exports</b> (million Eur)	1971	1 128.8	1 213.8	1 182.7	1 195.4	1 254.7	1 154.8	1 215.9	1 328.9	1 282.9	1 268.9	1 275.1	1 490.3
	1972	1 285.4	1 366.3	1 393.4	1 368.6	1 361.5	1 461.3	1 375.2	1 396.3	1 365.3	1 513.2	1 426.9	1 758.2
	1973	1 386.6	1 460.4	1 066.7	1 363.8	1 659.5	1 875.2	1 968.9	1 776.6	(1 790.0)			
<b>Balance of trade</b> (million Eur)	1971	- 90.6	- 140.9	- 307.8	+ 21.0	- 135.9	- 128.0	- 12.4	- 12.6	+ 20.6	- 76.2	+ 2.8	+ 7.4
	1972	- 89.2	+ 3.4	- 72.8	- 19.0	- 106.4	+ 43.6	- 89.5	- 55.1	- 114.6	- 62.6	- 39.9	- 144.0
	1973	- 211.3	- 419.6	- 370.5	- 371.8	- 535.5	- 526.6	- 206.7	- 391.5	(- 693.0)			
<b>Official gold and foreign exchange reserves</b> (net million Lit.)	1971	3 532	3 648	3 746	3 855	3 807	3 746	3 760	4 039	4 125	4 104	3 974	3 884
	1972	3 880	3 840	3 789	3 750	3 758	3 663	3 701	3 839	3 674	3 615	3 485	3 460
	1973	3 134	3 203	3 106	3 144	(3 096)	2 952	2 774	3 245	3 272			
<b>Money supply</b> (Lit. '000 million)	1971	30 416	30 120	30 534	31 007	31 455	32 084	32 545	32 531	33 138	33 537	33 883	36 905
	1972	35 742	35 597	36 266	36 995	37 492	37 686	38 183	37 812	38 558	39 227	40 153	45 954
	1973	42 101	42 224	42 902	44 056	44 688	46 066						

## NOTES TO GRAPHS AND TABLES

Source: Statistical Office of the European Communities (except as otherwise indicated).

Conversion into Eur (1 Eur = 0.888671 g of fine gold).

— For the intra community trade the new Community countries have not yet been taken into account.

*Graph 1*

Exports fob: series adjusted for seasonal variations; three-month moving averages.

*Graph 2*

Industrial production: from January 1973 Commission estimates because of rebasing of the unadjusted index; excluding construction, food, beverages and tobacco; series adjusted for seasonal variations; three-month moving averages.

*Graph 3*

Labour market: number of registered unemployed; series prepared by the Ministero del Lavoro e della Previdenza Sociale and adjusted for seasonal variations by the Statistical Office of the European Communities; three-month moving averages.

*Graph 4*

Imports cif: series adjusted for seasonal variations; three-month moving averages.

*Graph 5*

Wages and consumer prices: source ISTAT. Agreed minimum wages in industry (excluding family allowances).

*Graph 6*

Balance of trade: difference in terms of value between exports and imports, seasonally adjusted.

*Graph 7*

Bank lending: source Banca d'Italia. Short-term loans to business and private customers; position at end of month.

*Table 1*

Source for 1970 and 1971: Relazione generale sulla situazione economica del Paese (1971).

GNP at market prices.

Industrial production: value added by industry at factor cost.

Total exports and imports: goods, services and factor income.

Gross income per employee: income from paid employment (not including social insurance contributions borne by the State).

*Table 2*

Balance exports less imports: as defined for the national accounts.

Unemployment rate: number of unemployed as percentage of labour force (annual average); source ISTAT.

Price index: price index of private consumption adjusted by the GNP deflator, computed from the national accounts.

*Table 3*

Exports fob, imports cif; the products have been grouped on the basis of the Statistical and Tariff Classification for International Trade (CST): food, beverages and tobacco (Groups 0 and 1 CST), raw materials, fuel and power (Groups 2-4 CST), semi-finished and finished industrial goods (Groups 5-9 CST).

*Table 4*

Industrial production, excluding construction, food, beverages and tobacco: adjusted for seasonal variations.

Unemployed: series provided by the Ministero del Lavoro e della Previdenza Sociale, adjusted for seasonal variations by the Statistical Office of the European Communities.

Construction: dwellings authorized in the provincial capitals and in other communes of 20 000 or more inhabitants; figures adjusted for seasonal variations.

Private consumers' expenditure: value index of department store turnovers, adjusted for seasonal variations.

Consumer prices: unadjusted index.

Imports cif, exports fob, adjusted for seasonal variations.

Balance of trade; difference between values of exports and imports, seasonally adjusted.

Official gold and foreign exchange reserves (net); source Ufficio Italiano dei Cambi; position at end of month.

Gold and gold assets assimilated to gold continue to be calculated on the preceding parity.

Money supply: notes and coin in circulation excluding cash holdings of the credit institutions other than the post office giro, deposits of residents with the banks (at less than one months' call), special assets of the Treasury and non-residents' holdings in the post office giro; position at end of month.





## F. Netherlands

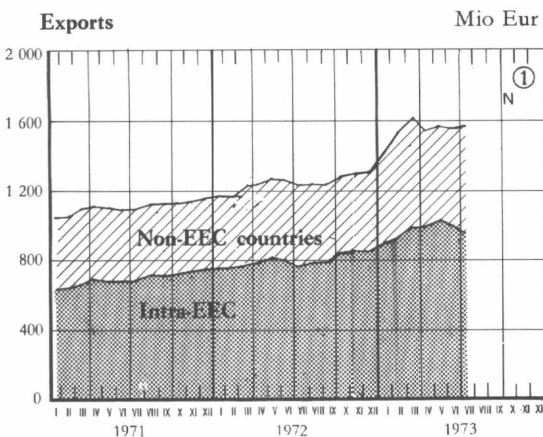
*At the beginning of the autumn, developments in the Netherlands were characterized by a continued upsurge in costs and prices, a revival of economic activity and a slight decline in unemployment. In an effort to reduce the effects of imported inflationary tendencies, the Government raised the central rate of the guilder with effect from 17 September.*

Economic activity, which had slackened visibly in May-July, has probably picked up again slightly, helped by the continued expansion in overall demand. The upward thrust of costs and prices remained very vigorous.

The stimuli provided by export demand gradually weakened a little. In the third quarter the increase in visible exports (excl. trade with the BLEU) on a year earlier was 22 % in terms of value and 14.5 % in terms of

trend in gross fixed asset formation. The fall in building investment is likely to have slowed down while investment in plant and machinery, which had been sluggish in the second quarter, probably picked up again.

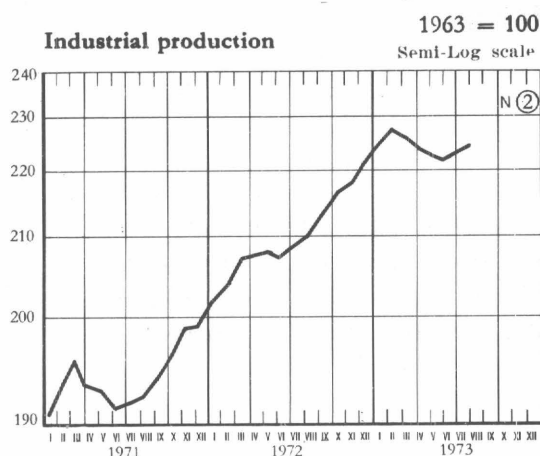
Private consumers' expenditure seemed to be expanding more rapidly. In July-August its rise over a year earlier was 10.5 % in terms of value and 2 % in terms of volume. Sales of passenger cars, however, stayed below the level of a year earlier. The trend in incomes would have provided scope for a faster increase in consumer spending. Thus, disposal wage and salary incomes and transfer incomes went up quite appreciably. Between the end of June and the end of September, hourly wage rates rose by 3.3 %, mainly as a result of the payment of cost of living supplements, to stand 12.4 % higher than a year earlier. General old-age pensions, survivors' pensions and some other social security benefits were raised by about 5 % from 1 July, which brought the increase on a year earlier to 15.6 %.



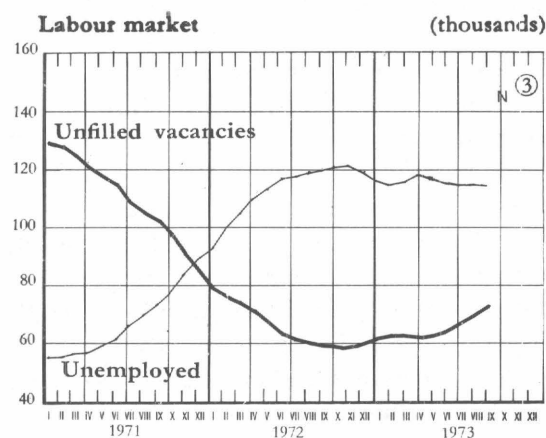
volume. This rise was due almost entirely to the trend between October 1972 and March 1973. Since then, exports have if anything tended to decline slightly.

The expansion of domestic demand, on the other hand, appears to have accelerated somewhat partly as a result of the improved

After running level in May-July, the trend in production has picked up again since August, helped by the continued expansion in overall demand. In that month industrial production per working day was up 6 % on a year earlier. The fall in building output, which was particularly pronounced in the second quarter, probably slowed down appreciably. The growth in real gross national product for 1973 as a whole can be put at 4 %.



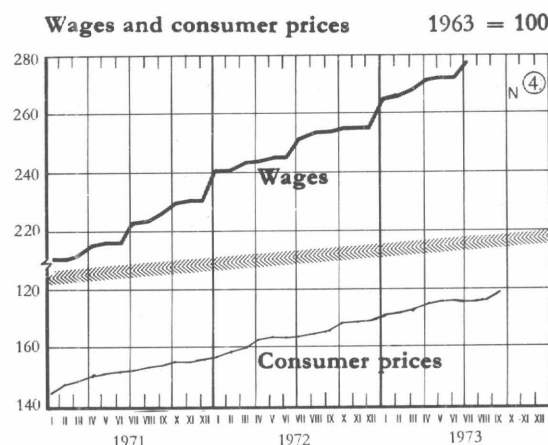
The situation on the *labour market*, however, has shown little improvement so far. The number of unfilled vacancies has risen further but unemployment has as yet declined only slightly. At the end of September the number



of registered unemployed was 121,000, or 2.5 % of the labour force. With unemployment felt to be comparatively high, the Government as early as June announced a third work procurement programme involving expenditure of Fl. 250 million. In September it announced a fourth spending programme, totalling Fl. 750 million, to counter the negative effects on the level of employment of the guilder revaluation.

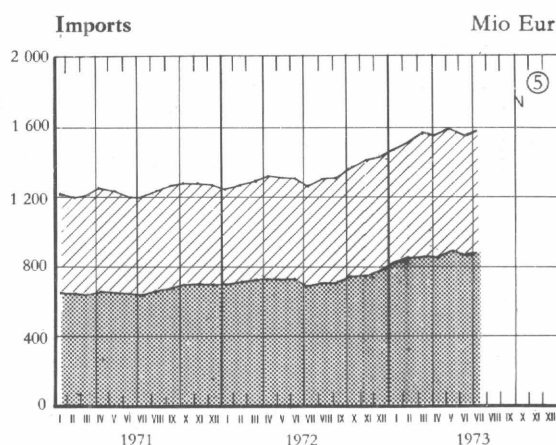
Despite very strict application of the Government's prices policy since November 1972, the sharp rise in *prices* continued unabated. In October, the price index for private consumption expenditure by wage and salary earners' households was up 7.9 % on a year

earlier. The main factor in this upward thrust of prices was the cost trend. In September, import prices for instance were



11 % higher than a year earlier; in addition, wage and salary incomes per person employed may have risen by some 14 % between 1972 and 1973.

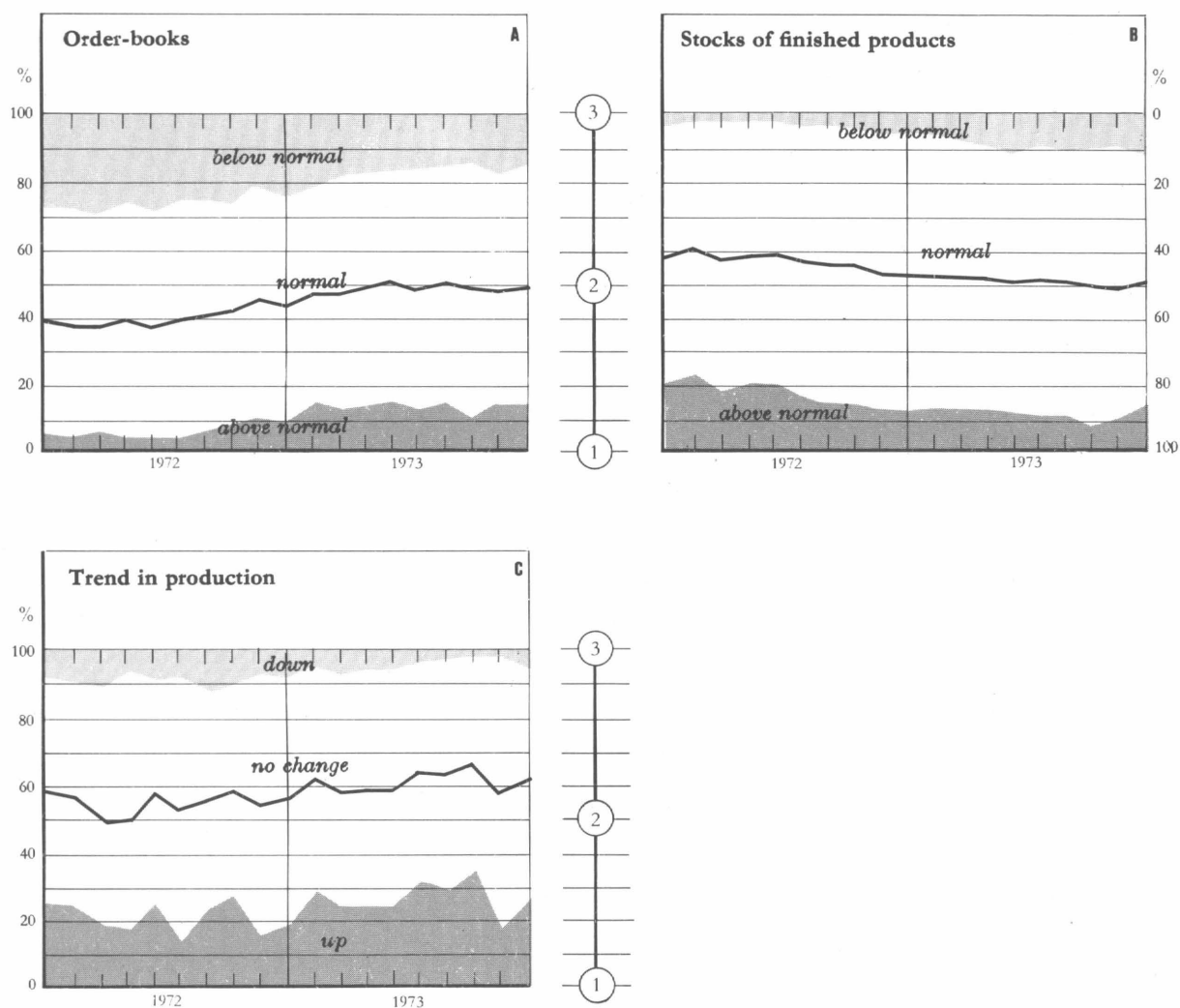
*Imports* continued to expand. In the third quarter visible imports (excluding imports from the Belgo-Luxembourg Economic



Union) were in volume terms 8 % and in value terms 30 % above same quarter of last year.

The surplus on *current account*, on a transactions basis, has tended to shrink recently. For the period from 1 July 1972 to 30 June 1973 it had been a good Fl. 5,250 million, or more than 3 % of gross national product. In

## BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Source : Business survey of the Centraal Bureau voor de Statistiek.

Note : The survey includes construction but not paper, petroleum, non-metallic minerals.

GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

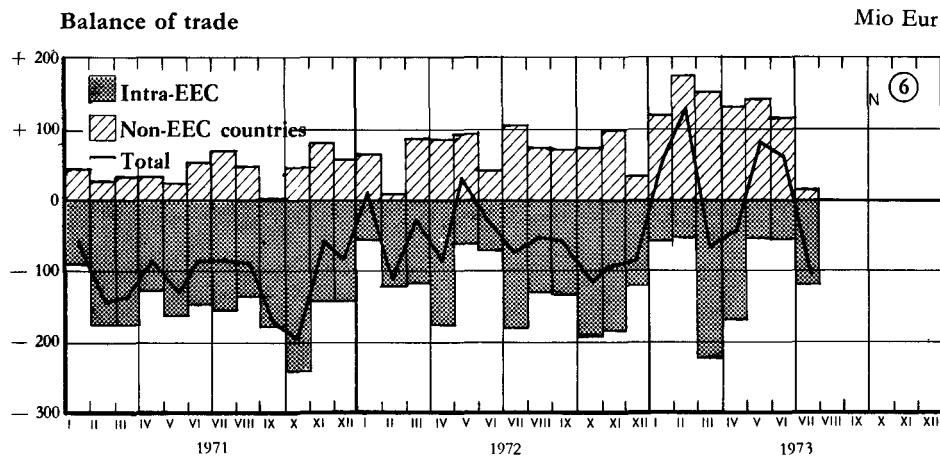
The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".



view of this surplus and in order to combat imported inflation, the Government decided to raise the central rate of the guilder by 5 % from 17 September.

The expansion of *domestic liquidity* continued and the overall liquidity ratio (ratio of domestic liquidity to national income) rose. In August, the stock of money and near-money



*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>2</sup>		1973 <sup>3</sup>	
	At current prices (in Fl '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>4</sup>	67.36	+ 8.8	+ 10.0	+ 11½	+ 19
Gross fixed asset formation	33.13	— 1.8	+ 5.2	+ 5	+ 12
Public current expenditure on goods and services	22.28	+ 1.6	+ 12.8	+ 2	+ 14
Private consumer's expenditure	74.88	+ 3.2	+ 12.1	+ 2½	+ 11½
Gross national product	131.69	+ 4.2	+ 13.9	+ 4	+ 12½
Imports <sup>4</sup>	67.83	+ 3.8	+ 3.4	+ 11½	+ 19½

<sup>1</sup> Nationale Rekeningen 1972, CBS.

<sup>2</sup> Centraal Planbureau.

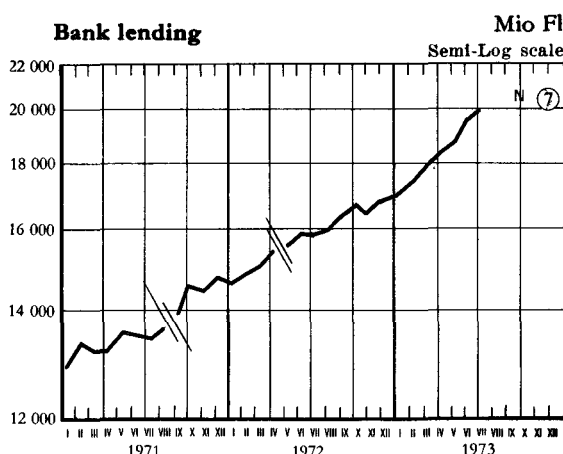
<sup>3</sup> Estimates.

<sup>4</sup> Goods, services and factor income.

*Note :*

The estimates are approximations based on hypotheses mentioned in this Quarterly Survey. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

(M 2) was 17 % higher than a year earlier. The discount rate, which at the beginning of June 1973 had stood at 4 %, was put up



in five stages, reaching 7 % on 16 October. After rising in the third quarter, market interest rates tended if anything to fall slightly.

## Major economic policy measures

### July 1973

— With effect from 1 July 1973 a 5 % increase was granted in the statutory minimum wage, old-age pensions, children's allowance (except for the first child) and invalidity pensions. This brought the statutory minimum wage to Fl. 227.40 a week or Fl. 985.40 a month; old-age pensions rose to Fl. 732 a month for married couples and Fl. 517 for single persons.

— On 3 July the Nederlandsche Bank placed a ban on exports of officially quoted guilder bonds, but room was left for granting exemptions.

— With effect from 18 July the Nederlandsche Bank raised all its interest rates by a further 1 %, which brought the discount rate to 6 %.

— In mid-July the Nederlandsche Bank concluded an agreement with the central associations of the commercial banks and agricultural credit banks and with the postal and telegraph authorities on the introduction of a liquidity reserve for the above banks and the postal cheque and giro system. Under this agreement the institutions concerned must hold a certain percentage of their short-term domestic deposits in domestic liquid assets, mainly

Treasury bills; the percentage will be fixed each month by the Nederlandsche Bank. To ensure that the impact of this measure is not influenced by savings deposits lodged with the (groups of) institutions in question, a fixed proportion of long-term domestic deposits will also have to be held in domestic liquid assets. The liquidity reserve was introduced in the second half of July. The liquidity ratio for short-term deposits was fixed at 8 % for the initial period, 9 % for the period from 16 August to 19 September, and 10 % for the period from 20 September to 21 November — eventually extended to 19 December. The Nederlandsche Bank may raise this ratio to a maximum of 14 %. The liquidity ratio for long term deposits was fixed at 7 %. There would still be scope following close consultation for altering the arrangements in the light of experience gained with the new instrument. One of the considerations behind the introduction of the liquidity reserve was that the economic situation required a tight form of credit control.

### August

— The Nederlandsche Bank raised the discount rate by 0.5 % to 6.5 % with effect from 8 August. The other interest rates were put up by 1 %.

— In mid-August a note was put before the Second Chamber, on the basis of the final report drawn up by the special committee, in which the Ministers concerned proposed amendments to the planned law. These involved principally a shift in emphasis from a system of investment levies to a system of investment permits; they also concerned the scope of the investment rules and the application of special arrangements to certain parts of the Western Netherlands. The proposed rates for the investment tax on buildings were reduced from 40 to 25 % and the rates for open-air plant from 5 to 3 %. Investment permits would be valid for all the Western Netherlands (Zuid-Holland, Utrecht and most of Noord-Holland) and for all types of building and plant, unless an express exception was made by general administrative measure for one or more areas and/or categories. Building projects of up to Fl. 1 million and plant projects of up to Fl. 5 million were not included and could be carried out without permit. The Ministers concerned thought it desirable that implementation of the law should as far as possible be made the responsibility of the regional and local authorities, with care being taken to ensure that

the policy of these authorities fitted in with the general policy of the Ministers concerned and that the supra-regional objectives of the draft law were attained. Several municipalities designated as growth centres intend to halve the rate of the investment tax for a certain period. The draft law now contains some new provisions on exceptions, while the Ministers' note mentioned the plan to grant further exemptions from the investment tax by general administrative measure or to cut the rate by one half for certain categories.

— On 22 August the Nederlandsche Bank placed a limit on the amounts of advances and rediscounts to which the banks can have recourse at official interest rates. This limit is fixed by reference to the volume of the individual bank's business. If this limit, initially to apply to the average of the calls made on the Nederlandsche Bank from 1 September 1973 to 28 February 1974, is exceeded, an additional commission of 1¼% a month will be charged. For all the banks together the limit is Fl. 550 million.

— The liquidity ratio was raised to 9 % (see above).

— On 23 August the Nederlandsche Bank reached an agreement with the banks to increase the credit facilities for export financing from Fl. 600 million to Fl. 800 million. These facilities were introduced in 1967 to offset the high interest costs which Dutch exporters incurred when granting credits of 5 years and over. Under these arrangements the Nederlandsche Bank grants banks easier terms when lending against or discounting bills of exchange drawn on foreign buyers and promissory notes of foreign buyers.

— The provisions of the 1972 price regulations governing the distributive trades were eased a little. These provisions had specified that from 15 August 1972 the first 5 % of an increase in purchase prices could be passed on by putting up selling prices by the same percentage. The remainder of the increase could be passed on only in an equivalent amount. The 5 % limit was raised to 7 %, but the remainder would continue to be passed on in an equivalent amount. However, this new rule applies only to increase in the purchase price of an article after 15 August 1973. In addition, the selling price of 15 August 1972 remains the basis for the new price regulations. If the purchase price of an article has risen so rapidly in the past that under the old price regulations a

full 5 % has already been passed on and the purchase price shows a further increase after 15 August 1973, only 2 % can be passed on as a percentage increase, the rest being passed on in an equivalent amount.

— At the end of August the Government submitted to the Second Chamber a report on residential construction in 1974-77. The number of starts is to fall from 135,000-140,000 dwellings in 1974 to 125,000-130,000 dwellings in 1976 (this compares with a figure of 156,200 for 1972). In order to cushion the effects on employment, the number of dwellings to be modernized is to rise from 27,000 to 45,000.

### September

— The Minister for Social Affairs decided to grant wage cost subsidies from 1 September to employers prepared to take on unemployed persons who found it impossible or difficult to obtain a job and therefore often remained out of work for long periods. The subsidy amounts to 30 % of wage costs. The provision covers employees who cost up to fl. 35,000 a year (employer's costs). The subsidy is paid for a full year in the case of unemployed persons aged 45 and over (with a maximum of Fl. 10,000). For unemployed persons under 45 years of age, subsidies of up to Fl. 5,000 are paid for half a year. To qualify for subsidies, the latter category must have been unemployed for more than six months. The measure is to apply for an experimental period of two years. To so-called "35 % arrangement", which had a much narrower scope and of which little use had been made because of the age limit (50 years and over) was rescinded when the new measure came into force.

— To help combat inflation the central rate of the guilder was raised by 5 % with effect from 17 September. Flat-rate VAT was raised from 4.5 to 6.25 %, initially until 1 April 1974, to offset the decline in farming income. In order to make sure that the new exchange rate worked through to domestic prices, prices policy was suitably amended. In view of possible repercussions on employment, the anti-inflationary programme was supplemented by the following measures of labour market policy: grant of an investment allowance of two times 5 % for commercial buildings (with immediate effect) and implementation of a fourth work procurement programme totalling Fl. 750 million.

— The liquidity ratio was raised to 10 % (see above).

— On 18 September the Government tabled the budget estimates for 1974. Expenditure is to go up by 18.5 % if compared with the draft of the 1973 budget and by 10.6 % if compared with the expected outturn for 1973; these figures do not yet make allowance for revaluation and the attendant measures.

— At the end of September the 1972 price regulation for goods and services was replaced by the 1973 price regulation for goods and services. The main difference between the two regulations relates to manufacturing industry and firms in the services sector. The new regulation lists all external costs which be passed on in prices. The rules on trading margins, which had been adjusted already, remain in force until the end of 1973, by which time it will have to be examined whether further amendments are necessary. For goods and services imported before 15 September 1973, revaluation may be included in the price in two stages of 2.5 % each: the second stage must be completed by 15 October 1973.

October

— On 8 October the Ministers of Finance of the Benelux countries reached agreement on a uniform system of value added tax, to be introduced with a view to eliminating the customs formalities between the Benelux countries. Under this system there will be only two VAT rates (as at present in the Netherlands), which are to be at least 4 % and 6 %. These minimum rates may be raised by no more than 2 percentage points. If possible, the harmonization agreed upon is to be implemented by 1 January 1975.

— With effect from 16 October the Nederlandsche Bank raised the discount rate by 0.5 %, which brought it to 7 %. The interest surcharge for recourse to central bank credit in excess of the limits fixed was lowered from 3 % to 2 %.

— On 17 October the Government tabled a draft law under which a deposit of Fl 200 is to be collected on the purchase of new motor vehicles.

— Exports of crude oil and import refinery products were made subjects to authorization from 20 October.



TABLE 1 : Key indicators

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963=100
Gross domestic product	+ 7.1	+ 7.0	+ 7.2	+ 4.0	+ 4.3	166
Industrial production	+ 10.5	+ 8	+ 7.5	+ 6	+ 5.0	
Imports	+ 13.0	+ 14.2	+ 14.5	+ 6.3	+ 4.5	228
Private consumers' expenditure	+ 6.9	+ 7.5	+ 7.8	+ 3.4	+ 3.2	164
Public current expenditure on goods and services	+ 2.4	+ 4.2	+ 6.3	+ 3.6	+ 1.6	129
Gross fixed asset formation	+ 11.0	- 2.1	+ 10.6	+ 1.5	- 2.0	174
Exports	+ 13.0	+ 15.5	+ 12.4	+ 10.9	+ 9.7	243
Gross domestic product per head of population	+ 5.5	+ 5.8	+ 5.5	+ 2.6	+ 3.3	148
Gross domestic product per person in employment	+ 6.1	+ 5.3	+ 6.0	+ 3.3	+ 5.1	156
	% change by value on preceding year					
Gross income per employee	+ 8.9	+ 13.2	+ 12.7	+ 13.3	+ 13.1	279

TABLE 2 : Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	+ 157	+ 122	- 461	- 130	+ 1 113
as percentage of GNP	+ 0.6	+ 0.4	- 1.4	- 0.4	+ 2.6
Unemployment rate	1.9	1.4	1.2	1.4	2.4
Price index of private consumption (% change on preceding year)	+ 2.3	+ 6.5	+ 4.5	+ 8.1	+ 8.6

**Netherlands**

**TABLE 3 : Foreign trade (at current prices)**

	% change on preceding year					Indices 1963 = 100	Million Eur	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
<b>Total</b>	+ 14.5	+ 19.6	+ 18.3	- 1.8	+ 12.5	262	12 992	100
<b>Intra-EEC</b>	+ 19.7	+ 25.1	+ 22.0	- 9.0	+ 14.8	238	7 613	58.6
<b>To non-EEC countries</b>	+ 8.2	+ 12.1	+ 12.7	+ 9.9	+ 9.4	232	5 379	41.4
<b>Exports of food, beverages and tobacco</b>								
<b>Total</b>	+ 15.9	+ 15.4	+ 18.5	- 3.0	+ 10.1	231	2 924	22.5
<b>Intra-EEC</b>	+ 22.1	+ 19.6	+ 22.8	- 5.8	+ 16.5	290	2 087	16.1
<b>To non-EEC countries</b>	+ 6.1	+ 7.8	+ 9.8	+ 3.5	- 3.2	153	837	6.4
<b>Exports of raw materials, fuel and power</b>								
<b>Total</b>	+ 12.8	+ 20.0	+ 31.8	+ 2.7	+ 10.1	262	2 446	18.8
<b>Intra-EEC</b>	+ 22.5	+ 26.0	+ 34.8	- 5.2	+ 11.7	281	1 432	11.0
<b>To non-EEC countries</b>	+ 1.7	+ 11.7	+ 27.2	+ 16.0	+ 8.0	240	1 015	7.8
<b>Exports of semi-finished and finished industrial goods</b>								
<b>Total</b>	+ 14.4	+ 21.1	+ 14.5	- 2.8	+ 14.2	276	7 622	58.7
<b>Intra-EEC</b>	+ 17.8	+ 27.5	+ 17.9	- 11.8	+ 15.0	289	4 095	31.5
<b>To non-EEC countries</b>	+ 10.6	+ 13.4	+ 10.0	+ 10.0	+ 13.3	262	3 528	27.2
<b>Visible imports</b>								
<b>Total</b>	+ 11.5	+ 17.3	+ 23.0	- 7.3	+ 5.5	219	13 097	100
<b>Intra-EEC</b>	+ 13.2	+ 19.2	+ 22.1	- 23.4	+ 7.9	201	6 184	47.2
<b>From non-EEC countries</b>	+ 9.5	+ 15.0	+ 24.1	+ 13.2	+ 3.3	240	6 912	52.8
<b>Imports of food, beverages and tobacco</b>								
<b>Total</b>	+ 9.7	+ 19.0	+ 13.5	- 7.1	+ 11.2	212	1 743	13.3
<b>Intra-EEC</b>	+ 28.1	+ 49.4	+ 5.1	- 24.7	+ 28.1	392	586	4.5
<b>From non-EEC countries</b>	+ 3.2	+ 5.4	+ 18.8	+ 2.9	+ 4.3	172	1 158	8.8
<b>Imports of raw materials, fuel and power</b>								
<b>Total</b>	+ 8.6	+ 13.8	+ 24.3	+ 10.9	+ 8.2	233	3 299	25.2
<b>Intra-EEC</b>	+ 4.8	+ 8.0	+ 7.1	- 17.9	- 2.6	124	380	2.9
<b>From non-EEC countries</b>	+ 9.7	+ 16.9	+ 28.7	+ 17.0	+ 9.8	263	2 919	22.3
<b>Imports of semi-finished and finished industrial goods</b>								
<b>Total</b>	+ 12.8	+ 18.1	+ 24.5	- 12.9	+ 3.2	216	8 055	61.5
<b>Intra-EEC</b>	+ 12.9	+ 18.1	+ 25.3	- 23.7	+ 6.9	199	5 219	39.9
<b>From non-EEC countries</b>	+ 12.6	+ 18.1	+ 22.5	+ 14.2	- 2.9	257	2 835	21.6

**TABLE 4 : Selected monthly indicators**

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production</b> (1963 = 100)	1971	198.6	193.8	193.8	190.9	192.5	189.5	192.6	194.2	194.1	199.9	200.2	195.4
	1972	209.7	206.6	205.2	210.2	207.6	203.6	212.9	214.5	216.5	220.6	218.0	223.7
	1973	229.1	230.1	218.4	223.8	225.6	214.6	227.5	228.7				
<b>Unemployed</b> (1 000)	1971	57.5	55.0	57.1	57.9	62.0	66.0	67.0	71.1	75.6	81.3	90.1	94.0
	1972	97.6	105.5	108.3	113.4	115.2	117.9	118.4	118.1	118.1	119.2	121.1	116.2
	1973	115.2	118.4	119.6	118.5	115.2	115.7	115.9	115.9	114.6			
<b>Permits for residential construction</b> (1 000)	1971	11.9	9.6	10.2	12.4	10.3	11.6	11.9	11.1	11.9	10.6	12.1	13.0
	1972	15.5	13.2	13.3	12.8	14.4	13.7	14.3	13.1	14.5	10.4	14.6	14.5
	1973	13.4	13.4	11.4	15.3	10.9	12.5	13.2	10.1	12.3			
<b>Department store turnover</b> (1963 = 100)	1971	218	233	223	234	233	256	237	269	240	255	254	261
	1972	248	260	270	246	263	278	252	274	287	264	279	283
	1973	267	289	284	267	285	298	272					
<b>Consumer prices</b> (1963 = 100)	1971	145.3	147.4	148.5	150.4	150.8	151.3	151.7	153.0	154.3	155.7	155.5	156.4
	1972	157.7	158.9	160.3	162.5	162.9	163.3	162.8	164.0	165.5	167.7	168.3	168.8
	1973	170.1	170.8	172.6	175.4	176.4	176.8	176.4	177.3	179.1			
<b>Visible imports</b> (million Eur)	1971	1 103	1 232	1 284	1 201	1 171	1 215	1 193	1 243	1 313	1 222	1 238	1 272
	1972	1 215	1 293	1 323	1 278	1 269	1 292	1 122	1 364	1 312	1 419	1 447	1 375
	1973	1 581	1 542	1 610	1 450	1 656	1 454	1 567					
<b>Visible exports</b> (million Eur)	1971	1 048	1 088	1 148	1 111	1 045	1 132	1 113	1 159	1 139	1 129	1 182	1 191
	1972	1 173	1 224	1 270	1 188	1 302	1 239	1 140	1 355	1 259	1 301	1 355	1 287
	1973	1 633	1 664	1 542	1 439	1 738	1 512	1 462					
<b>Balance of trade</b> (million Eur)	1971	- 55	- 144	- 136	- 90	- 126	- 83	- 80	- 84	- 174	- 93	- 56	- 81
	1972	- 42	- 69	- 53	- 89	+ 33	- 53	+ 18	- 9	- 54	- 118	- 92	- 88
	1973	+ 52	+ 122	- 68	- 40	+ 82	+ 58	- 105					
<b>Official gold and foreign exchange reserves</b> (million Eur)	1971	3 339	3 529	3 543	3 394	3 540	3 492	3 476	3 488	3 585	3 564	3 527	3 568
	1972	3 615	3 701	4 082	4 041	4 027	4 094	4 581	4 570	4 566	4 540	4 478	4 456
	1973	4 428	4 648	5 134	5 079	4 893	4 743	4 470	4 409	4 535			
<b>Money supply</b> (million Eur)	1971	7 484	7 583	7 677	7 892	8 162	7 934	8 098	8 032	8 269	8 376	8 393	8 609
	1972	8 760	8 946	9 440	9 541	9 515	9 629	9 870	10 123	10 245	10 005	10 212	10 119
	1973	10 278	10 467	10 905	11 006	10 773	10 559	10 191					

## NOTES TO GRAPHS AND TABLES

Source: Statistical Office of the European Communities (except as otherwise indicated).

Conversion into Eur (1 Eur = 0.888671 g of fine gold).

— For the intra community trade the new Community countries have not yet been taken into account.

### *Graph 1*

Exports fob. Series adjusted for seasonal variations; three-month moving averages.

### *Graph 2*

Industrial production: excluding construction, food, beverages and tobacco; adjusted for seasonal variations; three-month moving averages.

### *Graph 3*

Labour market: series adjusted for seasonal variations; three-month moving averages; position at end of month.

### *Graph 4*

Imports cif. Series adjusted for seasonal variations; three-month moving averages.

### *Graph 5*

Indices of agreed hourly wages in private sector.

### *Graph 6*

Balance of trade: difference between the seasonally adjusted figures of imports and exports.

### *Graph 7*

Bank lending: short-term bank loans, position at end of month.

### *Table 1*

Source: Nationale Rekeningen 1971, CBS.

GDP at market prices.

Industrial production: value added by industry inclusive construction.

Exports and imports: goods and services.

Gross income per employee: income from employment.

### *Table 2*

Balance exports less imports: as defined for the national accounts.

Unemployment rate: number of unemployed as percentage of the civilian labour force in employment. Source: CBS.

Price index of private consumption computed from the national accounts.

### *Table 3*

Exports fob, imports cif; the products have been grouped on the basis of the Statistical and Tariff Classification for International Trade (CST): food, beverages and tobacco (Groups 0 and 1 CST), raw materials, fuel and power (Groups 2-4 CST), semi-finished and finished industrial goods (Groups 5-9 CST).

### *Table 4*

Industrial production: adjusted for seasonal variations, excluding construction, food, beverages and tobacco

Unemployed: end-of-month figures, adjusted for seasonal variations.

Seasonally adjusted number of dwellings authorized.

Seasonally adjusted index of department store turnover.

Imports cif, exports fob; adjusted for seasonal variations.

Balance of trade: difference between the seasonally adjusted figures of imports and exports.

Official gold and foreign exchange reserves: gross reserves of gold and foreign exchange in the Nederlandsche Bank at end of month.

Money supply: notes and coin in circulation excluding cash holdings of monetary institutions, plus sight deposits with banks; position at end of month, adjusted for seasonal variations.



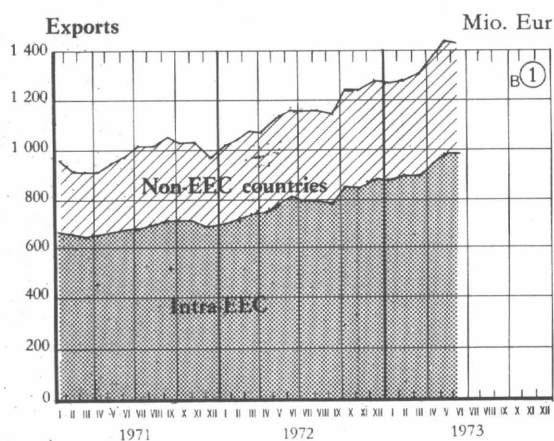
## G. Belgo-Luxembourg Economic Union

### Belgium

*At the beginning of the autumn Belgium's economy was expanding vigorously, boosted by the buoyant trend of demand. Even though production went up appreciably there was a slight tendency for unemployment to rise. The upward movement of prices remained rapid.*

The economic upswing remained rapid in the summer and early autumn helped by strong export demand and a vigorous pick-up in business investment.

*Exports*, which have been climbing at a lively pace since the beginning of the year thanks to the buoyant world economic trend, are the main factor in the expansion of economic activity in Belgium. Customs returns



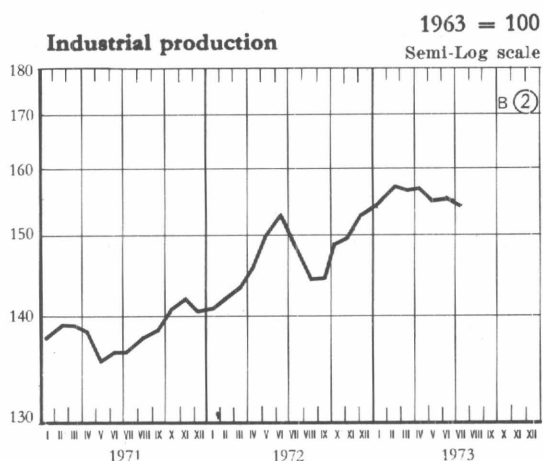
show that visible exports in June-August were 24 % higher than a year earlier. Exports to the new member countries and to non-member countries showed the sharpest rise.

Domestic demand too expanded at a comparatively rapid pace. Since the beginning of the year industrial investment has picked up vigorously and this tendency has strengthened further in recent months. The key to

this development lay in the high degree of capacity utilization, the improvement in profits and the need to rationalize in order to reduce the impact of the sharp rise in wage costs. The growth of private sector expenditure on construction also accelerated, principally in the housing sector, while the rise in public spending on construction slackened.

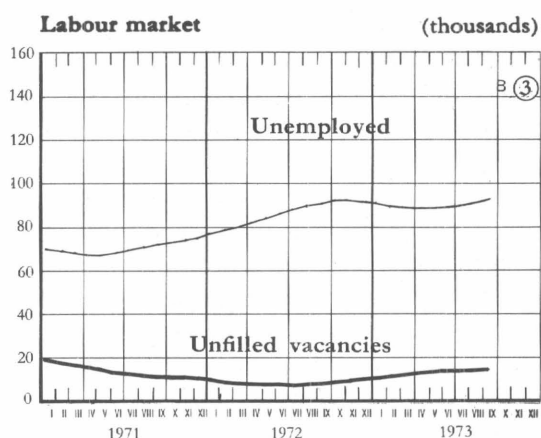
*Consumption* continued to expand briskly. However, owing to hire purchase restrictions and the sharp rise in saving, especially to finance the purchase of dwellings private consumer's expenditure increased only moderately, despite a major advance in incomes. In September the index of gross hourly earnings stood 14.9 % above the level of a year earlier. The jump in wages was due not only to the index link but also to the implementation of a number of new schemes such as the introduction of time crediting, minimum wages and special bonuses. Public consumption went up rapidly; total spending on goods and services and transfer payments in the first seven months of the year was 21 % higher than a year earlier.

The growth of industrial production in the summer was somewhat less lively than at the beginning of the year. The rise was sharpest in the sectors producing basic materials, intermediate goods and non-durable consumer goods. In some sectors, however, the advance in production was being curbed by a lack of spare capacity. The index of industrial production for June-August was



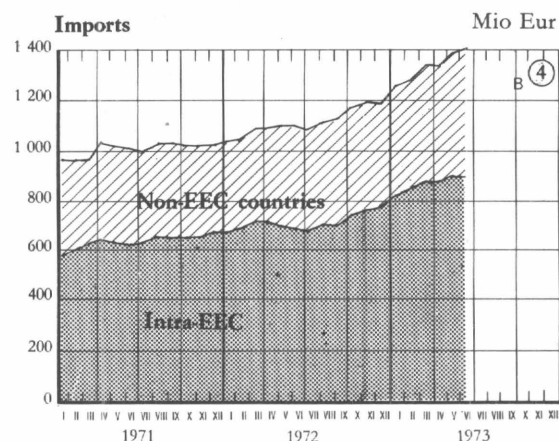
up 5,6 % on the same period last year. Activity in building and construction reached a very high level, thanks to the trend in residential construction.

Economic expansion produced only a very slight improvement in the *employment* situation. The unemployment rate has remained unchanged at 2,4 % for several months. The fact that the number of unfilled vacan-



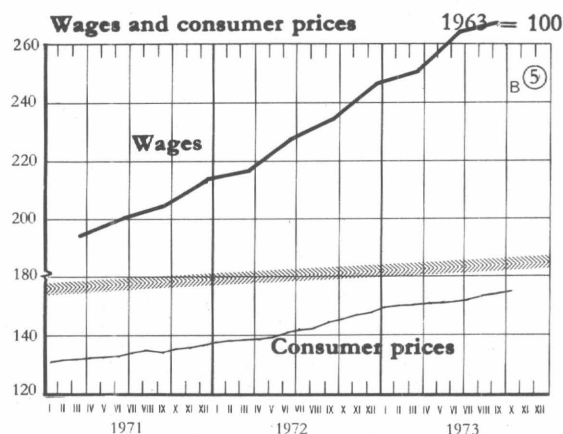
cies has risen since the autumn of 1972 while there has been a slight increase in unemployment points to the persistence of regional disparities in the supply of manpower and to lack of the necessary skills.

The growth in visible *imports*, especially from the other Community countries, accelerated. In May-July, the value of imports was 24,2 % higher than a year earlier. Contributory factors include the pick-up in



industrial investment and certainly also the sharp rise in import prices.

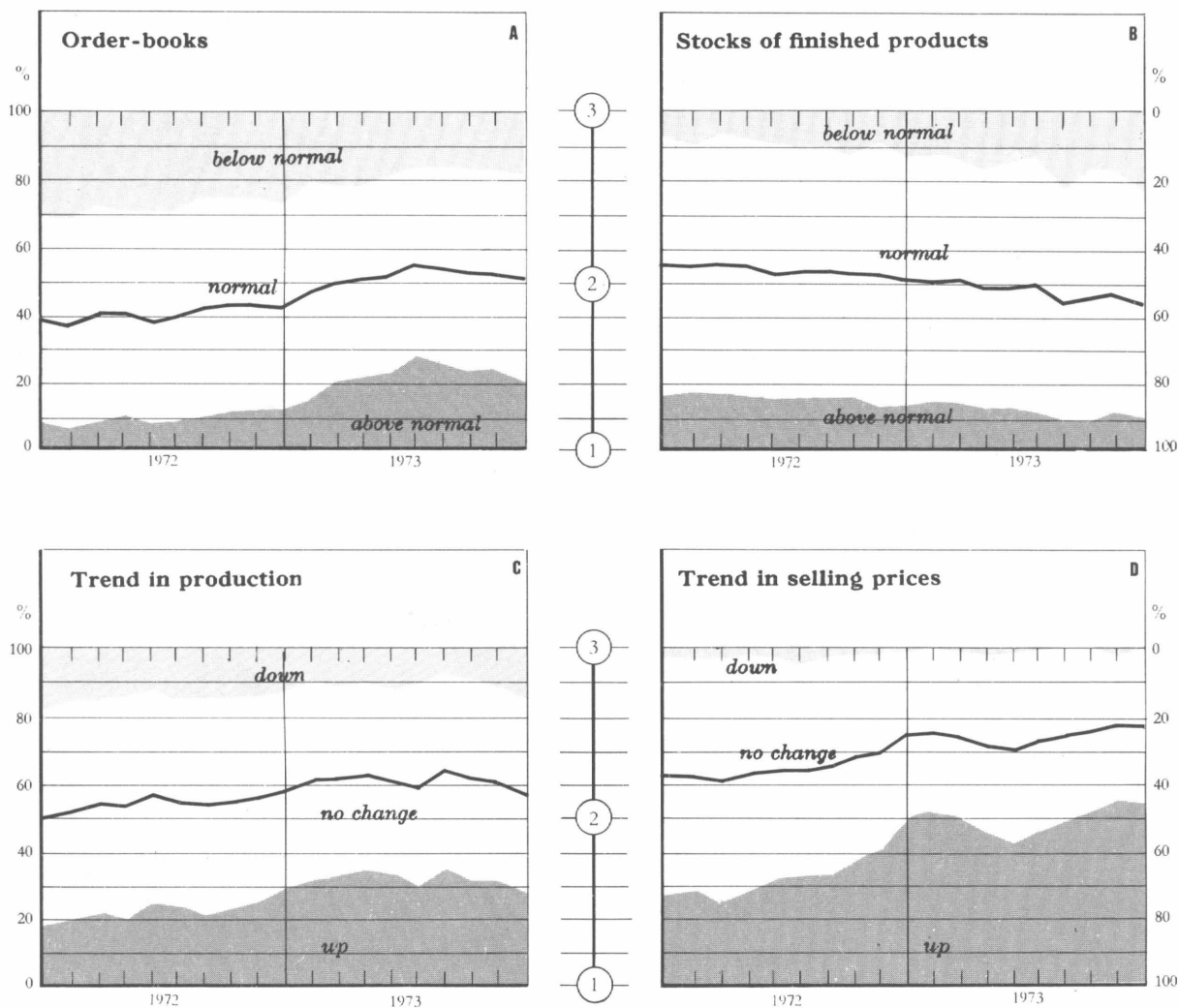
*Prices* maintained their rapid upward movement. The rise in wholesale prices was particularly sharp owing to increases in the prices of raw materials and agricultural products, and more recently also in the prices



of industrial products. Since April, consumer prices have been going up at an annual rate of some 6 %. In October, the index was 6,8 % higher than in October 1972.

The *balance of trade* on the basis of customs returns improved further; in May-July it showed a surplus of Bfrs. 10,300 million. The balance of payments again closed with large surpluses. Despite heavy net outflows of long-term capital, especially from enterprises and private individuals, the overall balance of payments showed a surplus of

# BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Answers to the questions in the EEC business survey, carried out in Belgium by the National Bank.

GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".

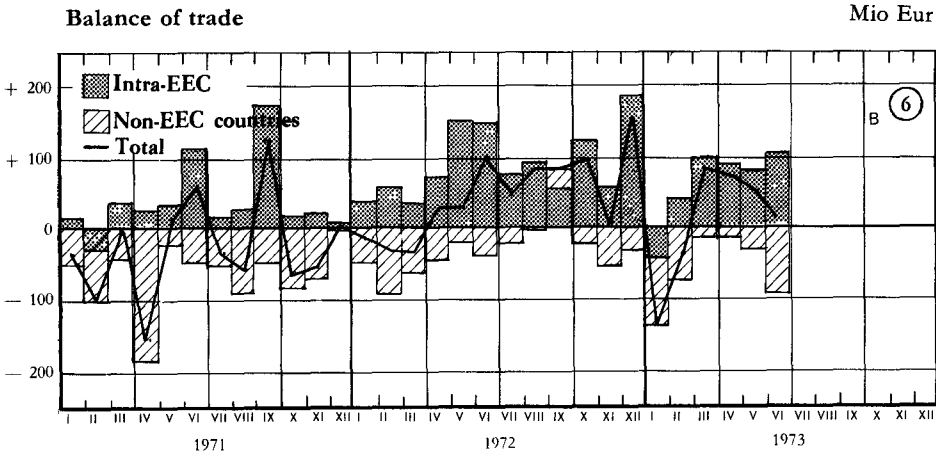




Bfrs. 12,600 million in the first eight months of the year.

Monetary financing by the public authorities and the continued growth of short-term bank

lending to business and private customers led to another sharp increase of *domestic liquidity* in the first half of the year, but in the third quarter the pace probably slackened. In the first eight months of 1973, the total



*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in Fb '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	681.1	+ 6.9	+ 9.5	+ 11	+ 16½
Gross fixed asset formation	303.3	+ 4.8	+ 9.1	+ 7	+ 16
Public current expenditure on goods and services	201.1	+ 7.2	+ 11.6	+ 4½	+ 13½
Private consumers' expenditure	851.0	+ 5.9	+ 11.3	+ 6	+ 13
Gross national product	1 418.7	+ 5.4	+ 11.6	+ 6	+ 13½
Imports <sup>3</sup>	637.0	+ 7.5	+ 8.5	+ 12	+ 17½

<sup>1</sup> Institut national de Statistique (INS).

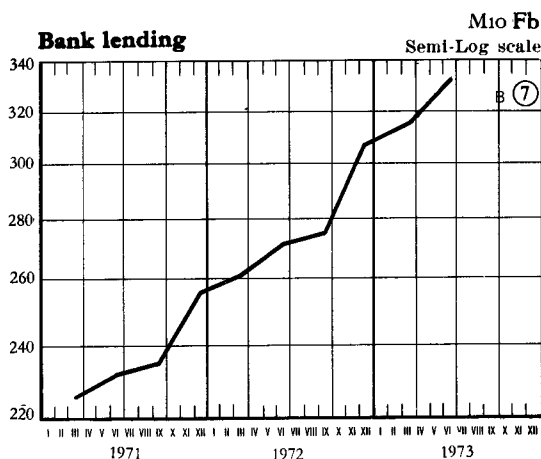
<sup>2</sup> Estimates.

<sup>3</sup> Goods, services and factor income.

*Note :*

The estimates are approximations based on certain hypotheses, generally set out in this Quarterly Survey. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

stock of money and nearmoney expanded by 8.5 % which was much the same rate as during the same period of 1972. However, the restrictive monetary policy and the large borrowing requirement of the public au-



thorities entailed a rise in short- and long-term interest rates. Since November 1972 the Banque Nationale has put up the discount rate in six stages, from 4 to 7 %.

## Major economic policy measures

### July

— The temporary measure requiring four months' advance notice of price increases—instead of the usual two months—was extended until 1 January 1974.

### August

— The deposit for hire purchase sales was increased by 5 % and the repayment period for personal loans cut by between 3 and 6 months depending on the amount.

— The negative interest which had been charged since 1 April 1973 on the portion of the credit balances on foreigners' convertible Belgian franc accounts that was in excess of fixed ceilings was suspended from 1 August.

— From 2 August the Banque Nationale increased its various interest rates by 0.50 %. The base rate, which had been 6 % since 5 July, went up to 6.5 %. It also decided to lower the banks'

upper limits for rediscount and certification by some 10 % from the end of August.

— Enterprises manufacturing products or providing services of a homogenous nature and having a turnover of less than Bfrs. 5 million were again made subject to the general requirement of advance notice of price increases, unless granted an exemption by the Minister.

— The financial institutions increased their interest rates on the various forms of deposits.

— The Minister of the Interior drew up instructions for preparing the local authority budgets for 1974 and urged these authorities to place strict limits on the expenditure.

### September

— The Government awarded an additional month of family allowances to employees in the public sector, following a similar move for employees in the private sector.

— The Banque Nationale and the Banking Association concluded a gentleman's agreement reintroducing, with effect from 19 September, the negative interest of 0.25 % per week on non-residents' convertible Belgian franc accounts.

— The Government decided to cut the subsidized housing programmes, on the same basis as the other public investment programmes, by 25 % of the total originally planned for 1973.

— The Government published a notice authorizing employers to reduce from 1 October the advance payment on wage tax withheld so as to make allowance for the impending introduction of an index link for tax scales.

### October

— The Banque Nationale's base rate was put up from 6.5 % to 7 % from 4 October; this was the sixth increase since 1972, when the rate had stood at 4 %. Furthermore, the Banque Nationale reduced the upper limits for rediscount and certification.

— A new gentleman's agreement, concluded between the Banque Nationale and the financial intermediaries and valid until the end of January 1974, entered into force on 1 October. Under this agreement the rules on the freezing of funds were tightened by requiring the financial inter-

mediaries to maintain higher reserves against their Belgian franc liabilities. The rules on the banks' external position were extended, suitably amended to eliminate certain anomalies. A new factor is the liquidity reserve which varies with the expansion of lending where the volume of loans outstanding (banks) and credit lines opened (other financial institutions) exceeds certain ceilings. This amounts to an indirect restriction of lending. From 10 October the banks introduced an extra commission; for discount and acceptance credit it is 0.25 % a year, computed on the basis of actual borrowings.

— The Ministers of Finance of the Benelux countries concluded an agreement on the harmonization, from 1 January 1975, of the VAT rates with a view to eliminating the remaining frontier formalities between the Benelux countries. The ministers opted for the adoption of a two-rate system.

— On 3 October the Government tabled the financial statement and draft budget for 1974. Overall expenditure is to be 6.9 % and revenue 14.9 % higher than under the adjusted 1973 budget. Compared with the original budget for 1973, however, expenditure is to grow by 13.2 % and revenue by 19.3 %. The borrowing requirement under the single budget is to fall from Bfrs. 105,600 million to Bfrs. 77,200 million.

## November

— The Government tabled in the Chamber the draft of a programme law on the implementation of the 1974 budget as presented to Parliament. The aim is to help save a total of Bfrs. 10,000 million. The proposed measures with a direct impact on the budget include: one year's postponement of the repayment of tax included in the value of stocks held at the time of changeover to VAT, where the liability is to enterprises with an annual turnover of more than Bfrs. 7.5 million; the Government's debt will be expressed in the form of negotiable bills of exchange (expenditure decrease: Bfrs. 7,600 million); one year's postponement of the reduction in the VAT rate on investment (extra receipts: Bfrs. 4,100 million); cut in the subsidies to the local authorities' fund (expenditure decrease: Bfrs. 1,000 million); application to the semi-public enterprises of the same tax rate as to the private sector (extra receipts: Bfrs. 800 million); reduction of the tax rates on incomes below Bfrs. 350,000 (revenue decrease: Bfrs. 4,100 million); reorganization and control of betting on horse races (extra receipts: Bfrs. 350 million); 50 % cut in the contributions to the economic expansion fund (expenditure decrease: Bfrs. 2,400 million); stricter supervision of the recruitment of government employees and of university budgets; consolidation of hospital debts and obligation on the local authorities concerned to meet the hospitals' deficits.

# Belgium

**TABLE 1 : Key indicators**

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963 = 100
Gross national product	+ 4.2	+ 6.5	+ 6.7	+ 3.5	+ 5.4	153
Industrial production	+ 6.4	+ 11.3	+ 9.5	+ 2.5	+ 6.7	170
Total imports	+ 13.5	+ 16.0	+ 8.9	+ 6.5	+ 7.5	212
Private consumers' expenditure	+ 5.4	+ 5.2	+ 4.6	+ 3.9	+ 5.9	146
Public current expenditure on goods and services	+ 3.5	+ 6.1	+ 3.3	+ 5.9	+ 7.2	156
Gross fixed asset formation	- 1.5	+ 5.6	+ 8.8	- 2.2	+ 4.8	149
Total exports	+ 13.8	+ 15.7	+ 11.7	+ 8.6	+ 6.9	223
Gross national product per head of population	+ 3.9	+ 6.3	+ 6.4	+ 3.1	+ 5.0	147
Gross national product per person in employment	+ 4.3	+ 4.8	+ 4.9	+ 2.4	+ 5.1	144
	% change by value on preceding year					
Gross income per employee	+ 6.1	+ 8.0	+ 9.6	+ 11.9	+ 14.2	224

**TABLE 2 : Indicators for internal and external equilibrium**

	1968	1969	1970	1971	1972
Balance exports less imports					
in million Eur	+ 192	+ 350	+ 800	+ 904	+ 1 116
as percentage of GNP	+ 0.9	+ 1.5	+ 3.1	+ 3.1	+ 3.4
Unemployment rate	2.8	2.3	1.9	1.9	2.2
prices to private consumers (% change on preceding year)	+ 2.9	+ 3.2	+ 2.5	+ 5.8	+ 5.0

TABLE 3 : Foreign trade (at current prices)

	% change on preceding year					Indices 1963=100	Million Eur	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
Total	+ 16.0	+ 23.3	+ 15.2	+ 4.0	+ 20.5	301	14 548	100
Intra-EEC	+ 18.5	+ 29.5	+ 16.9	+ 4.2	+ 20.2	338	9 955	68.4
To non-EEC countries	+ 11.7	+ 12.1	+ 11.6	+ 3.7	+ 21.1	242	4 593	31.6
<b>Exports of food, beverages and tobacco</b>								
Total	+ 15.5	+ 21.8	+ 19.6	+ 14.9	+ 25.0	422	1 339	9.2
Intra-EEC	+ 24.6	+ 27.1	+ 16.9	+ 11.7	+ 25.8	477	1 095	7.5
To non-EEC countries	- 13.4	- 1.8	+ 35.3	+ 30.8	+ 21.6	280	245	1.7
<b>Exports of raw materials, fuel and power</b>								
Total	+ 13.4	+ 21.4	+ 0.1	- 5.5	+ 22.1	165	976	6.7
Intra-EEC	+ 10.8	+ 21.3	+ 4.6	- 5.7	+ 12.9	156	559	3.8
To non-EEC countries	+ 17.4	+ 21.7	- 6.4	- 5.3	+ 37.2	180	417	2.9
<b>Exports of semi-finished and finished industrial goods</b>								
Total	+ 16.4	+ 23.6	+ 15.9	+ 3.8	+ 19.9	311	12 233	84.1
Intra-EEC	+ 18.7	+ 30.3	+ 17.4	+ 4.1	+ 20.0	352	8 302	57.1
To non-EEC countries	+ 12.8	+ 11.8	+ 12.6	+ 3.3	+ 19.6	249	3 931	27.0
<b>Visible imports</b>								
Total	+ 16.1	+ 19.9	+ 13.6	+ 10.3	+ 12.6	276	14 118	100
Intra-EEC	+ 14.8	+ 25.3	+ 16.4	+ 18.5	+ 14.8	339	9 095	64.4
From non-EEC countries	+ 17.8	+ 13.3	+ 9.8	- 1.4	+ 8.9	207	5 023	35.6
<b>Imports of food, beverages and tobacco</b>								
Total	+ 2.8	+ 14.9	+ 17.1	+ 11.4	+ 14.1	281	1 725	12.2
Intra-EEC	+ 24.0	+ 23.3	+ 20.4	+ 14.7	+ 23.9	461	1 098	7.8
From non-EEC countries	- 13.1	+ 5.8	+ 13.1	+ 6.9	+ 0.3	167	628	4.4
<b>Imports of raw materials, fuel and power</b>								
Total	+ 22.8	+ 11.3	+ 11.7	+ 2.6	+ 12.0	201	2 817	20.0
Intra-EEC	+ 17.6	+ 15.3	+ 12.0	+ 16.0	+ 17.2	239	1 192	8.4
From non-EEC countries	+ 25.7	+ 9.1	+ 11.5	- 4.8	+ 8.4	180	1 625	11.5
<b>Imports of semi-finished and finished industrial goods</b>								
Total	+ 16.7	+ 24.2	+ 13.6	+ 12.7	+ 12.5	309	9 576	67.8
Intra-EEC	+ 13.0	+ 28.0	+ 16.8	+ 19.6	+ 13.0	349	6 805	48.2
From non-EEC countries	+ 23.6	+ 17.9	+ 7.9	- 1.2	+ 11.3	241	2 771	19.6

TABLE 4 : Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production</b> (1963 = 100)	1971	141.3	140.4	135.8	138.5	131.3	138.0	138.3	135.4	141.6	145.1	139.2	135.5
	1972	145.4	142.0	142.6	149.7	152.5	146.8	151.1	143.9	149.5	154.6	148.9	158.3
	1973	155.5	156.4	155.7	156.4	152.0	156.3	153.2					
<b>Unemployed</b> (1 000)	1971	69.1	67.9	67.3	67.0	67.7	69.2	71.0	72.2	72.9	73.9	77.0	77.2
	1972	80.1	80.5	82.4	84.5	85.4	87.1	88.4	88.8	89.9	92.3	91.9	90.8
	1973	90.1	89.6	88.8	90.2	89.6	90.7	92.6	92.6	94.0			
<b>Permits for residential construction</b>	1971	2 758	2 094	2 264	2 001	1 968	2 524	2 550	2 849	2 378	2 807	3 281	2 440
	1972	3 850	4 157	4 416	4 488	4 172	4 053	3 608	3 832	4 580	5 257	5 977	5 560
	1973	4 955	5 097										
<b>Department store turnover</b> (1963 = 100)	1971	167	169	161	173	166	177	182	181	180	187	182	187
	1972	184	191	201	183	192	208	197	200	228	196	199	213
	1973	203	218	224	208	217	237						
<b>Consumer prices</b> (1963 = 100)	1971	130.81	131.83	132.39	133.07	133.40	133.68	134.50	135.01	135.95	136.32	136.79	137.38
	1972	138.02	138.75	138.93	139.42	139.67	141.03	142.07	142.32	143.27	144.09	145.15	146.17
	1973	147.48	148.30	148.63	149.47	150.09	150.83	151.48	152.18	152.91	153.94		
<b>Visible imports</b> (million Eur)	1971	921	987	1 030	1 046	958	1 014	1 026	1 025	1 022	1 004	1 018	1 026
	1972	1 059	1 045	1 149	1 042	1 081	1 163	969	1 190	1 140	1 158	1 255	1 207
	1973	1 366	1 319	1 349	1 364	1 464	1 380						
<b>Visible exports</b> (million Eur)	1971	884	876	1 026	885	969	1 079	989	961	1 147	940	964	1 027
	1972	1 046	1 012	1 120	1 068	1 211	1 265	1 020	1 271	1 220	1 255	1 259	1 363
	1973	1 225	1 284	1 434	1 436	1 514	1 393						
<b>Balance of trade</b> (million Eur)	1971	- 37	- 111	- 4	- 160	+ 12	+ 65	- 37	- 64	+ 125	- 65	- 54	+ 1
	1972	- 13	- 33	- 29	+ 26	+ 130	+ 103	+ 51	+ 81	+ 79	+ 97	+ 5	+ 156
	1973	- 141	- 35	+ 85	+ 72	+ 51	+ 14						
<b>Official gold and foreign exchange reserves</b> (million Eur)	1971	3 119	3 125	3 083	3 105	3 307	3 205	3 298	3 449	3 433	3 343	3 341	3 349
	1972	3 444	3 563	3 536	3 506	3 429	3 697	3 840	3 900	3 873	3 830	3 770	3 707
	1973	3 902	4 167	4 293	4 367	4 472	4 447	4 420	4 336	4 309	4 369		
<b>Money supply</b> (million Eur)	1971	8 439	8 432	8 410	8 489	8 619	8 669	8 825	8 816	8 948	9 035	9 124	9 378
	1972	9 574	9 617	9 732	9 879	9 797	10 130	10 202	10 154	10 355	10 545	10 598	10 697
	1973	10 789	11 061	11 203	11 332	11 239	11 391	11 402	11 445	11 509			

## Belgium

### NOTES TO GRAPHS AND TABLES

Source: Statistical Office of the European Communities (except as otherwise indicated).  
Conversion into Eur (1 Eur = 0.888671 g of fine gold).

— For the intra community trade the new Community countries have not yet been taken into account.

#### *Graph 1*

BLEU exports fob: series adjusted for seasonal variations; three-month moving averages.

#### *Graph 2*

Industrial production: excluding construction, food, beverages and tobacco; series adjusted for seasonal variations; three-month moving averages.

#### *Graph 3*

Labour market: series adjusted for seasonal variations; three-month moving averages; position at end of month.

#### *Graph 4*

BLEU imports cif: series adjusted for seasonal variations; three-month moving averages.

#### *Graph 5*

Wages and consumer prices (not adjusted for seasonal variations): average gross hourly earnings in industry, source: Banque nationale; consumer prices, source: Ministère des Affaires Économiques.

#### *Graph 6*

BLEU balance of trade: difference between seasonally adjusted values of imports and exports.

#### *Graph 7*

Bank lending: advances by the banking system, not adjusted for seasonal variations; position at end of month.

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#### *Table 1*

GNP at market prices.

Industrial production : value added by industry.

Total exports and imports : goods, services and factor income.

Gross income per employee : income from paid employment (including employer's share of social insurance contributions).

#### *Table 2*

Balance exports less imports: as defined for the national accounts, included factor income.

Unemployment rate: number of unemployed as percentage of the civilian labour force in employment.

Price index: price index of private consumption, computed from the national accounts.

#### *Table 3*

BLEU: Exports fob, imports cif; the products have been grouped on the basis of the Statistical and Tariff Classification for International Trade (CST): food, beverages and tobacco (Groups 0 and 1 CST), raw materials, fuel and power (Groups 2-4 CST), semi-finished and finished industrial goods (Groups 5-9 CST).

#### *Table 4*

Industrial production, excluding construction, food, beverages and tobacco: adjusted for seasonal variations.

Unemployed: end-of-month figures, adjusted for seasonal variations.

Construction: seasonally adjusted number of residential buildings authorized, adjusted for seasonal variations.

Private consumers' expenditure: seasonally adjusted value index of department store turnovers.

Consumer prices: not adjusted for seasonal variations.

BLEU: Imports cif, exports fob; figures adjusted for seasonal variations.

BLEU: Balance of trade: difference between values of imports and exports, seasonally adjusted.

Official gold and foreign exchange reserves: gross reserves of gold and foreign exchange held by the monetary authorities; position at end of month.

Money supply: notes and coin in circulation, excluding cash holdings of the credit institutions other than the Post Office giro; residents' sight deposits (up to one month) with banking institutions; the special Treasury accounts and sums held by non-residents with the Post Office giro; position at end of month, adjusted for seasonal variations.

*The pace of economic activity has quickened further in the past few months, owing to the increased buoyancy of demand, notably from abroad.*

With the trend in overall demand remaining extremely buoyant, the boom experienced by Luxembourg's economy since the second half of 1972 has continued in recent months.

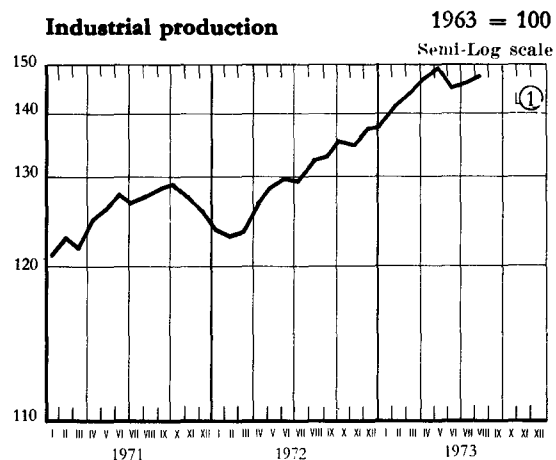
The greatest contribution to the rapid growth of activity came from *export demand*. New orders in the iron and steel industry, which had risen vigorously in the second quarter, were still running above the high level registered at the beginning of the year. Demand from non-member countries, which had been lower than in the final quarter of 1972, has recovered slightly in recent months. Export demand in the other industries likewise maintained its distinctly expansionary trend.

Domestic demand too provided increased stimuli. In the field of *fixed investment*, spending on plant and machinery expanded rapidly while investment in building other than residential construction, hitherto quite buoyant, may have started to move slightly downwards. In residential construction, demand for blocks of flats was particularly lively, while the growth of demand for single-family houses tended to slow down.

*Private consumers' expenditure*, especially on durables, remained expansionary, helped by the rapid advance in wages and salaries resulting from pay increases in industry and higher salaries in public administration.

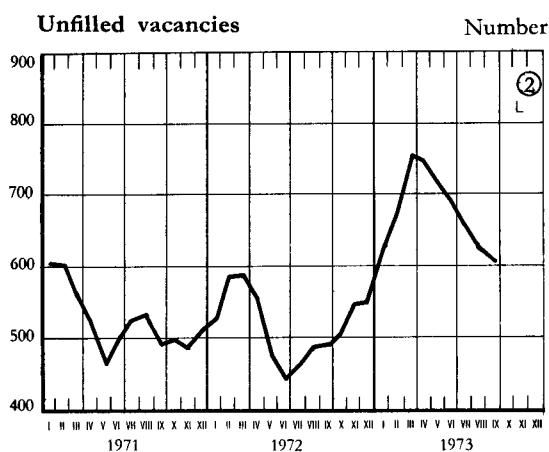
The trend of *production* was still very buoyant. Between January and September the rate of growth on the same period last year was

12.3 %. Thanks to very strong expansion in the output of crude steel, the seasonally adjusted index of production even suggested an appreciable acceleration compared with the second quarter. The business surveys paint



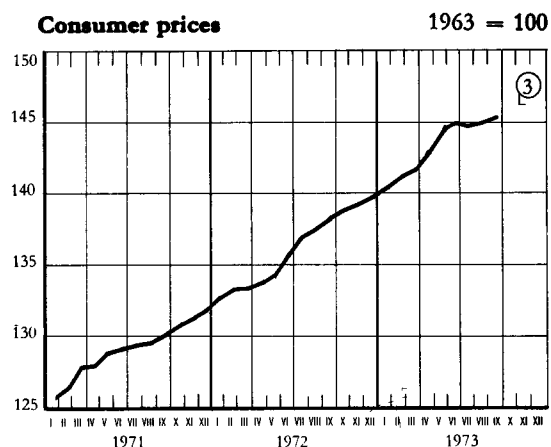
a picture of continued expansion, also in other industries. In building and construction, by contrast, the rise in production varied from one sector to another, but generally has lacked vigour in the past few months; order books shortened in June. The recruiting difficulties experienced in this industry continued, yet did not grow further.

*Employment* experienced a further increase, especially in the iron and steel industry. In the third quarter the number of workers employed in this industry and in mining was 1.6 % higher than a year earlier, with most of the increase accounted for by the inflow of foreign workers.



The upward movement of *consumer prices* slowed down considerably, mainly because the rise in food prices came to a halt. In October, the year-on-year increase was 5.5 %.

as against 6.7 % in June. The rise in prices between 1972 and 1973 will probably average some 6 %.



### Demand for and supply of goods and services

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in Flux '000 million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	42,027	+ 5	+ 9.2	+ 10	+ 25½
Gross fixed asset formation	15,835	+ 4	+ 10.3	+ 2½	+ 10
Public current expenditure on goods and services	6,176	+ 2.5	+ 13.8	+ 2	+ 14
Private consumers' expenditure	29,831	+ 4.2	+ 9.6	+ 5	+ 11½
Gross national product	52,174	+ 3.5	+ 8.7	+ 7	+ 19
Imports <sup>3</sup>	41,995	+ 4.8	+ 10.4	+ 7	+ 16½

<sup>1</sup> Service central de la statistique et des études économiques (STATEC) Luxembourg.

<sup>2</sup> Estimates.

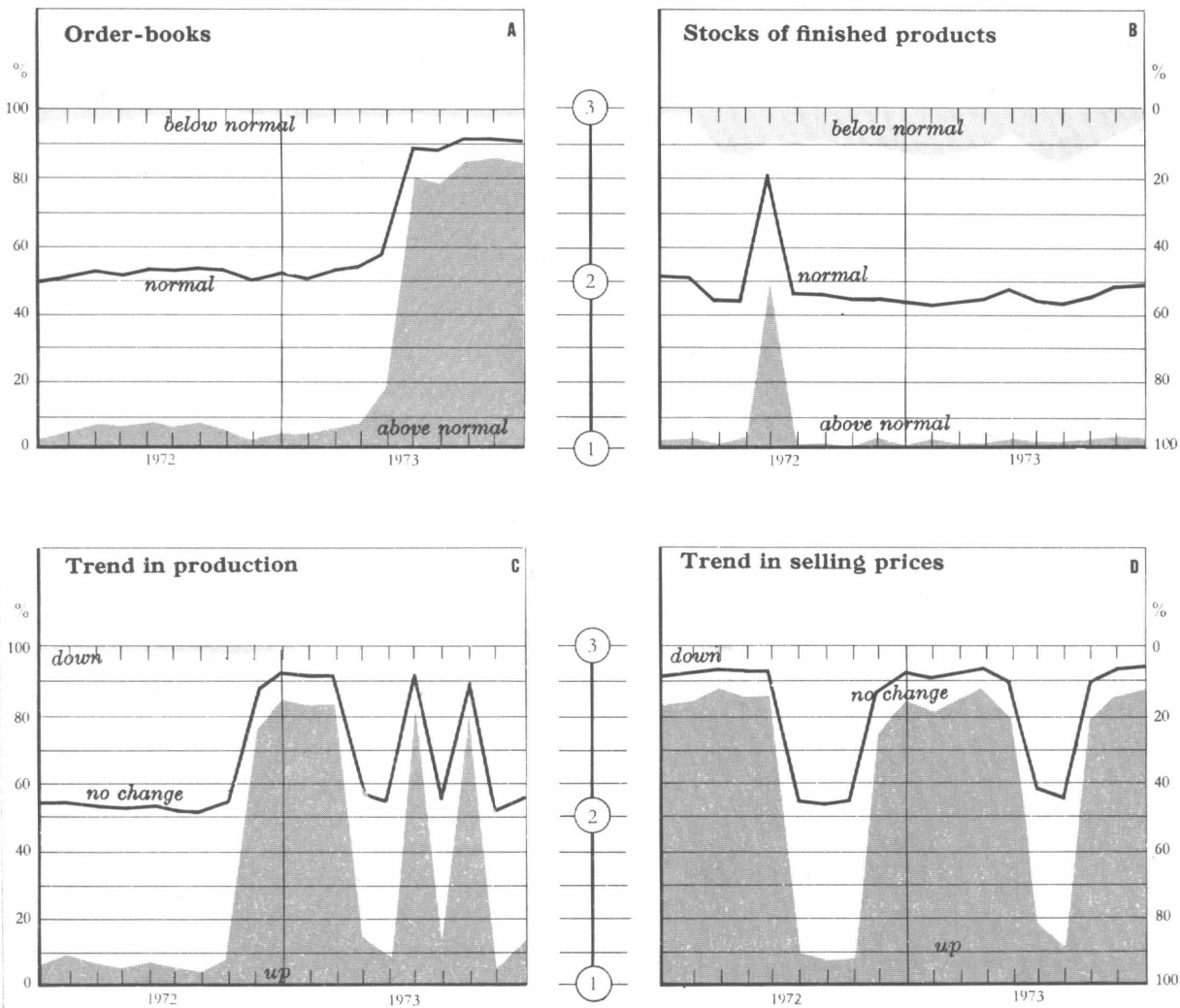
<sup>3</sup> Goods, services and factor incomes.

#### Note :

The estimates are approximations based on hypotheses generally mentioned in the Quarterly Surveys. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.



BUSINESSMEN'S VIEWS ON THE INDUSTRIAL SITUATION



Answers to the questions in the EEC business survey, carried out in Grand Duchy of Luxembourg by STATEC.  
GRAPHS A, B, C and D : The three zones (gray, white and black) show the percentages of the three different answers.

The black curves, the scale for which is given between the graphs, show the figures obtained by adding together the percentages weighted as follows :

- by 0.03 for the answer "above normal", or "up";
- by 0.02 for the answer "normal", or "no change";
- by 0.01 for the answer "below normal", or "down".



## Major economic policy measures

### June

— On 21 June three regulations were adopted as part of the anti-inflationary programme. Under the first, prices of building materials were frozen at their levels of 29 May until 1 December 1973; under the second, butchers' margins were maintained at their levels of 25 May until 31 August 1973; the third extended the period for notifying price increases from 30 to 60 days.

### July

— Promulgation of the anti-inflationary legislation introducing a cut in certain VAT rates, a higher tax-free limit on deposit interest and income from government stock, and a 5 % counter-cyclical increase in corporation tax.

### September

— On 5 September the Government tabled the draft budget for 1974. Total expenditure is 12.3 % higher than in 1973. This increase stems mainly from ordinary expenditure, which grows by

14.9 %, while extraordinary expenditure falls by 3.3 %.

Admittedly an amount of Flux 635 million is carried over to the investment funds from the 1973 budget. Even allowing for the adjustment of tax scales to price index rises and the introduction or raising of certain tax-free allowances ordinary revenue grows by 21.6%. The Government also proposed a short-term social programme which involved a further increase in expenditure.

— The freeze on retailers' margins for meat was extended until 31 December 1973.

### October

— The gentlemen's agreement between the Bank Control Commissioner and the private banks on the lodging of a liquidity reserve with the Banque Nationale de Belgique was extended until 28 February 1974.

— The Ministers of Finance of the Benelux countries concluded an agreement on the harmonization, from 1 January 1975, of the VAT rates with a view to eliminating the remaining frontier formalities between the Benelux countries. The Ministers opted for the adoption of a two-rate system.

**Luxembourg**

**TABLE 1 : Key indicators**

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963 = 100
Gross national product	+ 5.3	+ 7.7	+ 3.5	+ 0.7	+ 3.5	136
Industrial production	+ 7.4	+ 11.4	+ 2.4	± 0	+ 3.9	140
Total imports	+ 9.6	+ 9.6	+ 5.3	+ 1.2	+ 3.7	144
Private consumers' expenditure	+ 3.7	+ 4.8	+ 5.5	+ 4.0	+ 4.2	140
Public current expenditure on goods and services	+ 4.0	+ 3.3	+ 2.2	+ 1.5	+ 4.0	128
Gross fixed asset formation	- 5.6	+ 7.6	+ 16.4	+ 8.0	+ 4.0	115
Total exports	+ 13.5	+ 12.1	+ 1.3	- 4.0	+ 4.0	151
Gross national product per head of population	+ 4.9	+ 7.1	+ 3.1	- 0.8	+ 2.5	127
Gross national product per person in employment	+ 5.0	+ 6.5	+ 1.0	- 1.8	+ 1.2	122
	% change by value on preceding year					
Gross income per employee	+ 5.4	+ 6.2	+ 12.0	(+ 9.6)	(+ 10.8)	198

**TABLE 2 : Selected monthly indicators**

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production (1968 = 100)</b>	1971	118.0	124.5	122.8	127.6	128.1	127.2	124.9	130.9	129.4	126.7	126.3	123.5
	1972	124.2	123.6	125.3	129.3	127.8	128.6	128.6	135.5	133.3	137.8	135.2	140.5
	1973	138.0	147.9	160.5	148.2	144.4	140.2	144.4	148.0				
<b>Unfilled vacancies</b>	1971	522	651	498	422	471	604	487	511	476	503	482	542
	1972	543	626	531	433	435	459	459	512	515	558	688	565
	1973	736	717	800	696	653	706	610	537	659			
<b>Consumer prices (1968 = 100)</b>	1971	126.06	126.91	128.04	128.15	129.09	129.37	129.48	129.62	130.22	131.09	131.63	132.14
	1972	132.80	133.21	133.43	133.70	134.21	135.71	136.84	137.30	137.91	138.57	139.32	139.90
	1973	140.40	141.05	141.57	142.90	144.66	144.84	144.68	144.87	145.19			

**NOTES TO GRAPHS AND TABLES**

Source: Statistical Office of the European Communities (except as otherwise indicated).

*Graph 1*

Industrial production: excluding construction, food, beverages and tobacco; adjusted for seasonal variations; three-month moving averages.

*Graph 2*

Unfilled vacancies: adjusted for seasonal variations; three-month moving averages.

*Graph 3*

Consumer prices; source: STATEC.

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*Table 1*

GNP at market prices.

Industrial production: value added by industry.

Exports and imports: goods, services and factor income.

Gross income per employee: income from paid employment (including employer's share of social insurance contributions).

*Table 2*

Industrial production, excluding construction, food, beverages and tobacco: adjusted for seasonal variations.

Unfilled vacancies: seasonally adjusted end-of-month figures.

Consumer prices: not adjusted for seasonal variations.



## H. United Kingdom

*Economic expansion has slowed down considerably since the first quarter of the year. Private consumption and fixed investment fell sharply from the high first quarter levels, but seem to have since picked up, whereas stockbuilding continued at a high level in the second quarter, but was probably lower in the third. Price increases are still high and the current balance of payments has continued to deteriorate.*

The rate of expansion of the economy has slowed considerably in the course of 1973. After falling from the exceptionally high levels achieved in the first quarter both output and private consumption have resumed their growth. There was increasing evidence of capacity restraints in certain sectors.

*Exports of goods* grew strongly during the second and third quarters without any sign of a weakening in the underlying trend. On an overseas trade statistics basis the value of exports rose by 7.4 % between the second and the third quarter, and in the first 9 months of the year was over 30 % higher than in the corresponding period in 1972, which was, however, somewhat affected by a docks strike. In volume terms exports were about 17 % higher and the share of the United Kingdom in world trade has probably risen. In October, however, exports fell back a little.

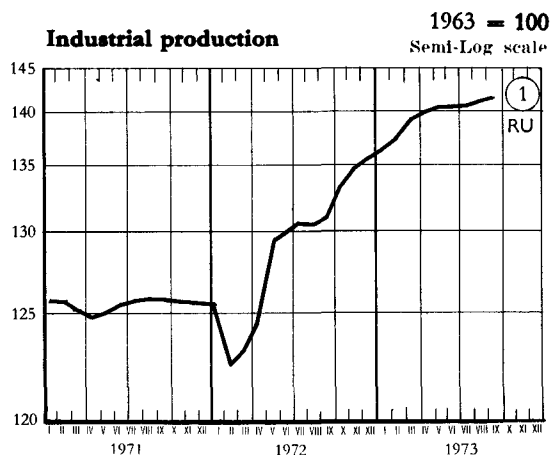
The level of *fixed capital formation* in both manufacturing and distributive and service industries was, however, somewhat disappointing and housing construction was seriously hampered by shortages of labour and of certain materials, in addition to the effect of the move towards higher long-term rates of interest. In the third quarter, housing starts for both the public and the private sector were slightly lower on a seasonally adjusted basis than in the preceding three months, whereas completions showed a significant fall.

*Investment in stocks*, which now seems to have risen much more sharply in the opening months of the year than earlier indicators suggested, was probably somewhat lower in the third quarter.

The underlying trend of *consumers' expenditure* has been obscured throughout 1973 by the effect of the changeover to VAT. After a marked fall in the second quarter, some growth was resumed in the third.

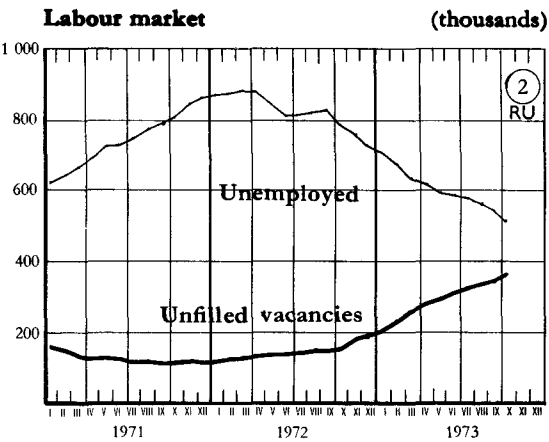
Average earnings continued to rise in the third quarter, and in September were 13.2 % higher than a year ago. In the first nine months of 1973, the volume of private consumption was a little over 5 % above the level of the corresponding months of 1972.

The rate of growth of *domestic output* has slowed down substantially after the exception-



al spurt in the first quarter of 1973. In the third quarter industrial production was on average 1.1 % higher than in the preceding three months and 8.9 % higher than in the corresponding period of 1972.

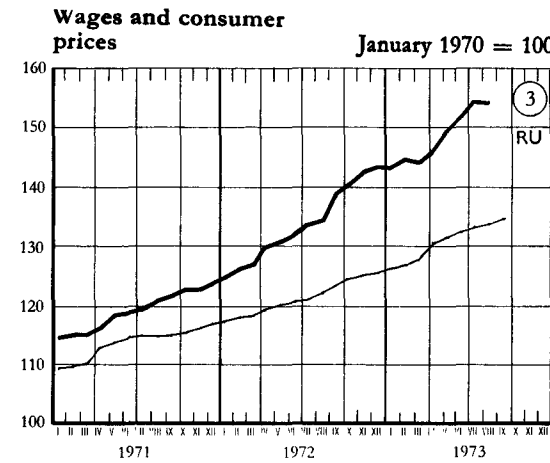
*Labour market* statistics provide evidence that the economy is now operating at higher levels of demand pressures. In the three months to October the number of wholly unemployed (seasonally adjusted and excluding adult students and school-leavers) fell another 66,800,



compared with 39,800 in the previous three months, causing the unemployment ratio (UK definition)<sup>1</sup> to fall to 2.3 %. Regional data show wide variations in this ratio, ranging from 1.3 % in the South-East to 5.3 % in Northern Ireland. Though the overall figure may still not seem very low in comparison with the situation in previous cycles, other indicators, such as the amount of overtime and the record figures for unfilled vacancies, suggest that pressures on capacity have nevertheless been rising sharply, though it must be admitted that labour market statistics have been significantly affected by the raising of the school-leaving age.

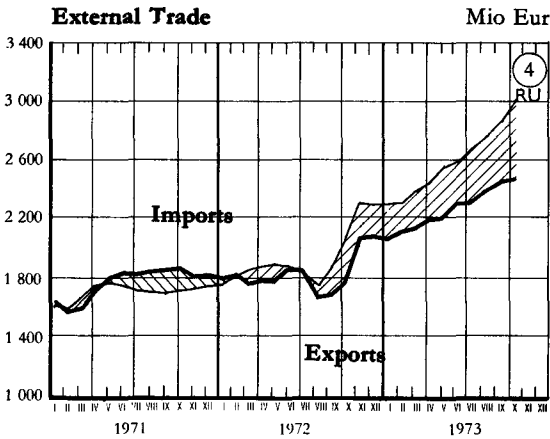
The rate of increase in *prices* has recently shown a tendency to accelerate. After rising quickly during the first five months of the

year the all items retail price index<sup>2</sup> rose at a much reduced rate in the summer months, largely as a result of a more favourable development in the prices of seasonal food. Since



then, however, the index has risen more steeply, climbing by 0.9% in September and 2.0% in October to a level 9.9% higher than in October 1972. Wholesale prices of manufactured products<sup>2</sup> rose relatively slowly in the early part of the year, but have since accelerated strongly. Wholesale prices of basic materials and fuel purchased by manufacturing industry<sup>2</sup> have been rising extremely quickly since the middle of 1972 and in October were 42 % higher than a year ago.

The growth rate of *imports* of goods remained remarkably low in volume terms, but extremely high in value terms. On an overseas trade statistics basis the value of imports rose



<sup>1</sup> Unemployment expressed as a percentage of the estimated total number of employees.

<sup>2</sup> Not seasonally adjusted.



10.9 % between the second and the third quarter, and in the first nine months of the year was 40.5 % higher than in the corresponding months of 1972, which were, however, somewhat depressed by the docks strike. Despite no further substantial fall in the external value of the pound since July, import prices continued their strong upward movement and rose by 9.7 % in the two months August and September. The visible trade deficit on a balance of payments basis widened from £ 396 million in the second quarter to £ 528 million in the third. In spite of a sizeable surplus on invisibles, the deficit on current account of the *balance of payments* increased considerably to around £ 335 million. In October, imports rose very sharply and the current account was probably in deficit by over £ 250 million.

The pound came under heavy downward pressure for a time in the third quarter of the year and the authorities preferred to resist a further decline of sterling by intervening with fairly large amounts in the exchange market. Despite the accrual to the reserves of \$ 919 million (about £ 380 million at current exchange rates) from loans raised by public authorities and nationalised industries, *official reserves* fell by \$ 631 million (about £ 260 million) in the third quarter. In October, however, official reserves rose by \$ 379 million, of which \$ 357 million came from public sector borrowing.

*Money supply*, broadly defined to include all bank deposit liabilities (M3), continued to expand very quickly, partly as a result of the pattern of interest rates, which encouraged

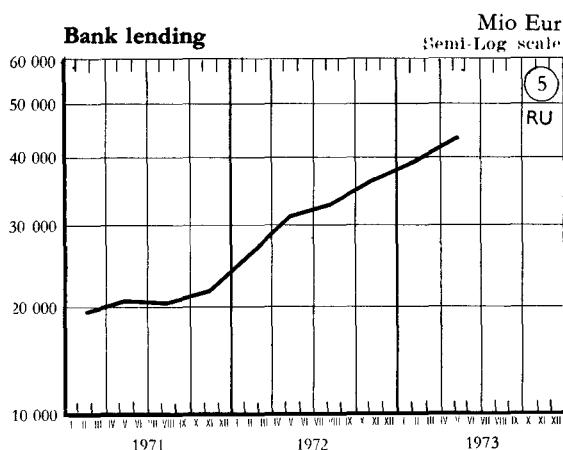
*Demand for and supply of goods and services*

	1971 <sup>1</sup>	1972 <sup>1</sup>		1973 <sup>2</sup>	
	At current prices (in £ million)	% change on preceding year			
		Volume	Value	Volume	Value
Exports <sup>3</sup>	14,383	+ 3.4	+ 5.9	+ 11½	+ 25½
Gross domestic fixed capital formation	10,101	+ 1.2	+ 11.0	+ 5½	+ 16
Public authorities' current expenditure on goods and services	10,339	+ 3.8	+ 13.2	+ 4½	+ 14½
Private consumers' expenditure	34,838	+ 5.9	+ 12.7	+ 4½	+ 12½
Gross national product	56,840	+ 2.4	+ 9.7	+ 6	+ 13
Imports <sup>3</sup>	12,840	+ 10.5	+ 13.7	+ 12½	+ 33

<sup>1</sup> Services of the Commission.  
<sup>2</sup> Estimates.  
<sup>3</sup> Goods, services and factor incomes.

*Note :*  
The estimates are approximations based on certain hypotheses generally mentioned in the Quarterly Surveys. They have been discussed with experts from the member countries but are established and published on the sole responsibility of the Commission.

companies to indulge in "merry-go-round" operations and to build up liquid balances at virtually no cost. As a result, companies' bank borrowing and interest-bearing deposits were considerably inflated. Although the effect of the large public sector deficit has been moderated by substantial gilt-edged sales to the general public, bank lending to



the public sector has also been a significant factor underlying the rise in M3. In the three months to mid-October, M3 rose at an annual rate of about 30 %, much the same as in the preceding three months.

Short-term *interest rates* had been drifting downwards until the middle of July and were becoming increasingly out of line with those in overseas centres. On 19 July, the Bank of England took various measures which abruptly reversed the downward trend in interest rates. The banks were asked for a further 1 % of Special Deposits and the discount houses were freed from the requirement of holding at least 50 % of their borrowed funds in certain categories of public sector debt. As a result, interest rates rose sharply and the Minimum Lending Rate jumped in two steps from 7 1/2% to 11 1/2% on 27 July, where it remained up to 19 October, when it fell to 11 1/4 %. Developments in visible trade and in the money supply in October induced the authorities to suspend on 13 November the normal arrangements for fixing the Minimum Lending Rate and to raise it to 13 %. At the same time, the Bank of England called for a further 2 % Special Deposits from the banks and finance houses.

## Major economic policy measures

### September 1973

— On 6 September the Treasury announced an offer to extend in a modified form the *Sterling Agreements* for a further six months after their expiry on 24 September. The new arrangements guaranteed that, subject to certain conditions, official overseas holders of sterling would be compensated for any fall in the average value of the pound below \$ 2.4213 over the six-month period in respect of the value of their sterling balances on 24 September 1973 (or 29 March 1974 if less) subject to a deduction equal to 10 % of their total official external reserves.

— On 11 September, in a move to assure the availability of credit to finance a higher volume of exports and industrial investment, the Bank of England imposed qualitative lending restrictions on personal lending (other than for house purchase) and on lending for property development and financial transactions. In addition the Bank imposed a limit of 9.5 % on the rate of interest which banks could pay on deposits of under £ 10,000 in an attempt to ease the liquidity problems of the building societies and to moderate the rise in their mortgage rates.

### October

— On 8 October the Government announced a number of measures and published its proposals for Stage 3 of the counter-inflation programme. The main points are as follows:

A. Pay (Stage 3 to operate from 7 November 1973 until the autumn of 1974)

- with the exception of increases due to promotion or progression along a pre-determined incremental scale, increases for any group limited to 7 % or, if negotiators prefer, to an average of £ 2.25 per week per head, with an individual maximum of £ 350 per year (£ 2.25 is equivalent to a 7 % rise for a man earning £ 32.14 per week);
- flexibility margin of a further 1 % for use in agreements which wipe out anomalies and obstacles to the better use of manpower;
- extra payments under new efficiency schemes when they have won genuine savings and helped to reduce prices;

- premium payments to those working unsocial hours bringing wages up to a minimum standard;
- special treatment to remove anomalies created by the standstill;
- further progress towards equal pay for women outside the normal pay limit;
- increases in certain types of London allowance outside the normal pay limit;
- a threshold safeguard to enable pay to be increased by up to 40p per week if, in Stage 3, the increase in the Retail Price Index reaches 7 % and by up to another 40p per week for every one percentage point rise above 7 %;
- consultations to be held with the TUC and CBI concerning the formation of a body which would help improve the capacity of industry to raise pay levels for the lower paid;
- the Pay Board must be notified in advance of the implementation of any pay settlement which involves 1,000 or more employees or invokes the anomaly or increased efficiency provisions of the Code and notified within 7 days of the implementation of any other settlement involving between 100 and 999 employees. Firms with between 10 and 99 employees will be subject to spot checks by the Pay Board of their pay records over the preceding 12 months to ensure that they also have complied with the provisions of the Code.

#### B. Prices, profits and dividends (Stage 3 will operate from 1 November 1973 for an unspecified period)

- same general framework as in Stage 2;
- Category II firms (in manufacturing, those with sales between £ 5 million and £ 50 million a year) will now be required to notify the Price Commission of price increases as they are made;
- nationalised industry prices will continue to make a major contribution to price restraint under the Code;
- there will be some relaxation of the standstill on agricultural rents to assist landlords in meeting their maintenance obligations, whereas the standstill on business rents will remain until May 1974, from which time increases will be permitted, in successive stages, during the ensuing 12 months, to the market level

at the imposition of the standstill on 5 November 1972;

- increases in depreciation costs to be taken into account for prices so as to help investment;
- reduction of profit margins by the operation of the control to be limited to 10 %, so that the fall in profits will not discourage investment;
- special provision to modify the price control for capital intensive enterprises which had a major plant with under-utilized capacity at the start of Stage 2;
- firms suffering losses or earning low profits to be permitted to raise their return on capital to 8 % or their return on turnover to 1 % before coming subject to price control;
- prohibition of artificial subdivision of enterprises to avoid the profit margin control;
- the rate of dividend increase to continue to be limited to 5 % per annum, but with some latitude where new capital has to be raised for investment.

#### C. Other measures

- public expenditure to be reduced in the current financial year by £ 115 million. £ 100 million of this will be achieved by deferring, by three months, public sector building contracts, though housing and road construction will not be affected. The remaining £ 15 million will come from cuts in defence expenditure;
- banks' profits to be reduced by some £ 30 million per year by means of non-payment of interest on a proportion of each bank's Special Deposits, calculated by reference to the rise of its current account business;
- pensioners to receive a £ 10 Christmas bonus, as they did last year;
- employers' weekly flat-rate national insurance contributions to be increased from January 1974 by 9p per man (with corresponding increases for other categories);
- scheme to reduce the mortgage rate for first-home buyers to 8½ % initially, rising to the full rate after 5 years. The extra cost would be borne by the borrower in later years;
- further consultations with building societies on a plan to stabilize the flow of mortgage funds;
- declaration of 1 January as an additional public holiday in England and Wales and of an alternative day for Scotland.

— On 18 October the Government announced that in future it would consider applications from public sector bodies for exchange cover on loans raised in other currencies as well as dollars and, moreover, the minimum duration of such loans raised by private sector bodies would be reduced from five years to two.

— On 30 October the Government published its final proposals for Stage 3. The general framework was broadly the same as in the original proposals published on 8 October. The main changes made since that date were as follows:

#### A. Pay

- restrictions were imposed on payments made under profit-sharing schemes ;
- where the operative date of a group's principal increase was deferred by the standstill, the average pay bill for the group over the previous 12 months may now be calculated as if the increase had been paid from the normal operative date ;
- relaxation of the criteria under which payments may be made for unsocial hours working, though payments under this provision may only be made to workers whose basic rate in normal hours does not exceed £ 2.50 an hour ;
- relaxation of the rules permitting progress towards equal pay for women outside the normal pay limit.

#### B. Prices, profits and dividends

- Price increases must be notified to the Price Commission 1 month in advance by Category I

firms (in manufacturing, those with sales exceeding £ 50 million a year) and 14 days in advance by Category II firms (£ 5 million — £ 50 million). Applications which have not been modified or rejected within the pre-notification period will be deemed to have been approved.

— from 5 November, landlords of agricultural properties would be permitted to collect 50 % of any rent increases they had negotiated, plus any increases to cover improvements they had made to farms.

— firms raising prices under the low-profits provision may do so to the point that their return on turnover equals  $1\frac{1}{2}$  %.

— On 19 October the Bank of England's minimum lending rate fell to  $11\frac{1}{4}$  %.

#### November

— On 12 November the Government announced a reduction from 1 April 1974 in the proportion of local authority rates to be paid by households. In addition about three million households will receive assistance from the Government with their rates payments.

— On 13 November the Bank of England raised its minimum lending rate to 13 %, suspending the formula by which the rate is normally fixed. The Bank also announced a call for a further 2 % Special Deposits from the banks and finance houses, to be effected in equal stages of  $1\frac{1}{2}$  % on 28 November, 12 December, 27 December and 2 January.

TABLE 1 : Key indicators

	1968	1969	1970	1971	1972	1972
	% change by volume on preceding year					Indices 1963 = 100
Gross national product	+ 3.2	+ 1.2	+ 2.0	+ 2.5	+ 2.3	125.6
Industrial production	+ 5.3	+ 2.7	+ 1.1	+ 0.7	+ 3.3	129.9
Total imports	+ 7.8	+ 3.7	+ 4.1	+ 4.6	+ 9.7	160.0
Private consumers' expenditure	+ 2.4	+ 0.2	+ 2.5	+ 2.5	+ 5.9	124.4
Public current expenditure on goods and services	+ 1.1	- 2.2	+ 1.4	+ 3.8	+ 3.8	122.6
Gross fixed asset formation	+ 4.5	+ 1.0	+ 2.0	+ 0.5	+ 1.2	145.4
Total exports	+ 9.9	+ 10.0	+ 4.6	+ 7.2	+ 3.0	157.4
Gross national product per head of population	+ 2.7	+ 0.8	+ 1.8	+ 2.2	+ 1.9	120.6
Gross national product per person in employment	+ 4.0	+ 1.2	+ 2.8	+ 4.1	+ 3.0	128.9
	% change by value on preceding year					
Gross income per employee	+ 7.8	+ 6.9	+ 12.6	+ 12.3	+ 12.3	211.1

TABLE 2 : Indicators for internal and external equilibrium

	1968	1969	1970	1971	1972
Balance: exports less imports					
in millions Ecu	- 34	+ 1,490	+ 2,246	+ 3,362	+ 1,166
as percentage of GNP	- 0.0	1.3	1.8	2.5	0.8
Unemployment rate	2.3	2.2	2.4	3.1	3.5
Prices to private consumers (% change on preceding year)	+ 4.9	+ 5.7	+ 5.8	+ 8.2	+ 6.4

# United Kingdom

TABLE 3 : Foreign trade (at current prices)

	% change on preceding year					Indices 1963 = 100	Million Eur	% of totals
	1968	1969	1970	1971	1972	1972	1972	1972
<b>Visible exports</b>								
Total	+ 23.0	+ 14.1	+ 9.8	+ 13.9	+ 6.2	223.3	23,389	100.0
Intra-EEC	+ 25.1	+ 18.7	+ 14.1	+ 12.9	+ 10.6	243.9	7,056	30.2
Extra-EEC	+ 22.3	+ 12.3	+ 8.2	+ 14.3	+ 4.3	215.4	16,333	69.8
Exports of food, beverages and tobacco	+ 21.0	+ 5.5	+ 13.3	+ 14.3	+ 12.3	235.3	1,583	6.8
Exports of raw materials, fuel and power	+ 23.4	+ 5.6	+ 13.5	+ 7.3	+ 8.8	145.5	1,344	5.7
Imports of semi-finished and finished industrial goods and miscellaneous goods	+ 23.2	+ 15.3	+ 9.3	+ 14.3	+ 5.5	230.4	20,462	87.5
<b>Visible imports</b>								
Total	+ 22.7	+ 5.3	+ 8.7	+ 8.7	+ 13.6	223.9	26,774	100.0
Intra-EEC	+ 20.8	+ 4.3	+ 13.5	+ 19.5	+ 20.9	316.7	8,458	31.6
Extra-EEC	+ 23.4	+ 5.6	+ 7.0	+ 4.7	+ 10.5	197.2	18,316	68.4
Imports of food, beverages and tobacco	+ 7.8	+ 1.6	+ 6.1	+ 6.3	+ 8.4	140.8	5,663	21.2
Imports of raw materials, fuel and power	+ 21.1	+ 2.4	+ 6.8	+ 9.1	+ 2.1	166.0	6,168	23.0
Exports of semi-finished and finished industrial goods and miscellaneous goods	+ 32.6	+ 8.7	+ 10.8	+ 9.5	+ 21.4	353.8	14,943	55.8

TABLE 4 : Selected monthly indicators

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>Industrial production</b> (1970 = 100)	1971	101.2	100.2	99.1	100.6	101.9	100.3	100.4	101.0	100.5	100.6	100.2	100.3
	1972	99.9	93.1	101.0	101.7	103.1	103.5	101.8	101.4	103.9	105.1	105.7	106.1
	1973	107.9	110.3	111.2	109.7	110.1	111.0	111.3	111.1	111.9			
<b>Unemployment</b> (000)	1971	647.7	664.5	688.0	718.7	758.6	768.4	794.2	813.1	834.6	852.6	879.0	893.1
	1972	900.1	906.5	911.6	911.9	873.4	845.5	846.4	846.5	850.1	814.8	791.4	761.9
	1973	736.2	693.5	663.8	648.7	630.3	621.6	608.9	594.8	574.3	542.1	516.9	
<b>Construction : Housing</b> starts (000)	1971	27.6	28.9	27.2	27.0	27.3	24.7	28.7	28.1	30.3	30.6	27.9	35.6
	1972	31.4	27.2	29.7	28.2	26.3	31.2	29.2	27.7	29.0	27.8	30.3	32.4
	1973	30.7	34.0	31.3	29.0	25.7	27.9	25.2	26.1	29.7			
<b>Private consumers' expenditure : value of retail sales</b> (1971 = 100)	1971	94.6	92.1	96.4	98.9	99.9	98.9	100.5	102.1	102.2	103.8	104.3	105.5
	1972	105.5	105.6	106.6	107.5	108.8	110.6	112.9	113.8	114.6	116.8	118.2	121.3
	1973	119.9	123.2	127.3	119.6	120.5	124.6	126.2	127.5	129.0			
<b>Retail prices</b> (Jan. 1962 = 100)	1971	147.0	147.8	149.0	152.2	153.2	154.3	155.2	155.3	155.5	156.4	157.3	158.1
	1972	159.0	159.8	160.3	161.8	162.6	163.7	164.2	165.5	166.4	168.7	169.3	170.2
	1973	171.3	172.4	173.4	176.7	178.0	178.9	179.7	180.2	181.8	185.4		
<b>Exports</b> (million Eur)	1971	1,517	1,488	1,814	1,824	1,752	1,848	1,795	1,817	1,874	1,819	1,682	1,882
	1972	1,735	1,800	1,704	1,807	1,783	1,946	1,793	1,776	1,973	2,146	2,050	2,011
	1973	2,081	2,158	2,081	2,268	2,160	2,318	2,357	2,431	2,549	2,419		
<b>Imports</b> (million Eur)	1971	1,514	1,632	1,798	1,745	1,673	1,754	1,680	1,658	1,735	1,738	1,697	1,805
	1972	1,745	1,872	1,908	1,894	1,870	1,894	1,726	1,591	2,306	2,268	2,273	2,222
	1973	2,273	2,342	2,575	2,390	2,666	2,642	2,736	2,894	2,974	3,134		
<b>Balance of trade</b> (million Eur)	1971	+ 3	- 144	+ 16	+ 79	+ 79	+ 94	+ 115	+ 159	+ 139	+ 81	- 15	+ 77
	1972	- 10	- 72	- 204	- 87	- 87	+ 52	+ 67	- 415	- 333	- 122	- 123	- 211
	1973	- 192	- 184	- 494	- 122	- 506	- 324	- 379	- 463	- 425	- 715		
<b>Official gold and foreign exchange reserves</b> (million Eur)	1971	3,002	3,194	3,317	3,420	3,523	3,619	3,871	4,087	5,014	5,210	5,573	6,062
	1972	6,480	6,439	6,516	6,569	6,586	6,415	5,602	5,611	5,609	5,395	5,429	5,201
	1973	5,210	4,906	5,004	5,071	5,586	5,813	5,494	5,402	5,290	5,604		
<b>Money supply</b> (million Eur)	1971	42,384	42,984	43,968	43,608	43,896	44,040	44,352	44,736	45,168	45,792	46,464	46,944
	1972	48,168	48,048	49,200	51,552	52,368	54,384	55,512	55,920	57,048	57,768	58,512	60,168
	1973	61,464	63,336	64,296	64,920	65,232	66,888	69,504	71,232	72,960	74,088		

## NOTES TO GRAPHS AND TABLES

Conversions into Eur (1 Eur = 0.888671 g of fine gold) £ 1 = 2.40 Eur.  
Seasonally adjusted unless otherwise stated.

Key to sources : — (a) Central Statistical Office.

(b) Department of Employment.

(c) Bank of England.

(d) Statistical Office of the European Communities.

(e) Office of Population Censuses and Surveys, General Register Office (Scotland), General Register Office (Northern Ireland).

(f) Ministry of Health and Social Services (Northern Ireland).

(g) Department of Trade and Industry.

(h) Department of the Environment.

*Graph 1*

Industrial production : three-monthly moving average of all industries index (1963 = 100) (a).

*Graph 2*

Labour market (Great Britain) : wholly unemployed, excluding school-leavers and adult students; number of adult unfilled vacancies (b).

*Graph 3*

Wages and consumer prices : index of monthly average earnings in Great Britain (all employees) (January 1970 = 100); retail price index (all items) (not seasonally adjusted) (index based on January 1962, January 1970 = 100) (b).

*Graph 4*

Exports (f.o.b.) and imports (c.i.f.) of goods on a balance of payments basis : three-monthly moving averages (a).

*Graph 5*

Bank lending to the private sector : advances (not seasonally adjusted) by the total banking sector to UK residents, excluding lending to the government, local authorities, public corporations and financial institutions. Breaks in the series occur in the first quarter of 1972 and the first quarter of 1973 (c).

*Table 1*

Gross national product at market prices (d).

Index of industrial production (all industries) (1963 = 100) (a).

Total imports and exports of goods, services and factor incomes (d).

Total population at end-June (not seasonally adjusted) (e).

Persons in employment : working population at end-June excluding the unemployed (not seasonally adjusted) (b + f).

Gross income from employment (a).

Employees : persons in employment (as defined above) excluding employers and self-employed at end-June (not seasonally adjusted) (b + f).

*Table 2*

Exports less imports : balance of goods, services and factor incomes (d).

Unemployment rate : number of unemployed as a percentage of the estimated number of employees (including the unemployed) at end-June (not seasonally adjusted) (b + f).

Consumer prices : deflator of private consumption (d).

*Table 3*

Exports (f.o.b.) and imports (c.i.f.) of goods on an overseas trade statistics basis. EEC figures are shown on the new basis throughout. The products have been grouped according to the SITC sections 0 & 1, 2-4 and 5-9 (g).

*Table 4*

Index of industrial production (all industries) (1970 = 100) (a).

Unemployment : wholly unemployed, excluding school-leavers and adult students (b + f).

Construction : private and public housing starts in Great Britain (h).

Retail sales : index numbers of the value of sales at current prices (1971 = 100) (g).

Retail price index (all items) (not seasonally adjusted) (January 1962 = 100) (b).

Exports (f.o.b.) and imports (c.i.f.) of goods on a balance of payments basis (a).

Official gold and foreign exchange reserves : end-month figures (not seasonally adjusted) comprising gold, IMF Special Drawing Rights, convertible currencies and, from July 1972, the UK's reserve position at the IMF. Before conversion into Eur, values have been converted into sterling at prevailing middle rates. For these reasons, breaks in the series occur in December 1971, July 1972 and February 1973 (c).

Money supply : M3 (including interest-bearing deposits). Breaks in the series occur in April 1972 and April 1973 (c).





**Council Resolution of 17 December 1973  
on measures to be taken against rising prices  
and the maintenance of a high level of employment  
in the Community**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the draft resolution presented by the Commission;

Whereas at its meeting on 9 November 1973, the Council decided to adopt further measures to be taken against inflation in the coming months;

Whereas the rise in prices of raw materials and in particular of petroleum products, together with problems of supply, is liable to aggravate the inflationary trends in the Community in 1974;

Whereas persistent inflation impairs the competitiveness of the economies of the Member States and threatens the level of employment,

ADOPTS THIS RESOLUTION:

I

In order to combat inflation, and to ensure that the conditions essential for a high level of employment are maintained, the Council agrees that the Member States and the Community should adopt immediately and in parallel the appropriate measures to implement, in the early months of 1974, a vigorous campaign to reduce the rise in costs and prices.

II

As regards budgetary expenditure, the Member States will:

- in the first quarter, curb as strictly as possible increases in current expenditure, in particular by holding back purchases of goods and services and postponing any increases in the number of civil servants and employees in the public sector;
- review subsidies to business and trade;
- adjust, where appropriate, the commitments of public investment expenditure in relation to available capacities — particularly in the building and construction industry.

As regards tax receipts, the Member States will refrain from further adjustments to the tax system which are likely to increase the growth of total demand in the first quarter; if possible, they will accelerate the collection of taxes.

In the Member States in which the central government budget shows a deficit, the Governments will endeavour to finance the deficit by increased use of medium- and long-term borrowing.

The Member States will ensure that the finances of local authorities, and, where appropriate, of public undertakings and social security agencies, are managed in such a way as to contribute to the fight against inflation.

III

The Member States will maintain a monetary policy which will contribute towards curbing rising prices in the Community. To this end,

they will work out concerted action particularly in the field of interest rates.

According to the possibilities open to them, they will have recourse to one or more of the following courses of action:

- quantitative control of monetary aggregates, particularly the volume of credit;
- seeking greater selectivity in the granting of bank credit to productive investment, particularly in the energy sector, and at the expense of credit likely to stimulate consumption;
- non-compensation for the contraction of internal liquidity caused by foreign currency sales by the monetary authorities;
- encouraging savings through adjustments of the structure of interest rates;

#### IV

As regards prices, the Member States will have recourse to one or more of the following courses of action:

- strict surveillance of the conditions in which prices are fixed for goods and services, and possibly limiting profit margins;
- prior notification of price increases;
- strict and even strengthened application of regulations on the posting and disclosure of prices, both for goods and for services;
- freezing of rates and dues charged by the public services during the first quarter of 1974 at the level of 1 December 1973;
- strict or strengthened application of national provisions for the control of abuses resulting from a dominant position on the market;
- launching of an information campaign on prices of consumer products where appropriate with the aid of consumer associations. They will use all appropriate means of information.

The Council invites the Member States and the Commission to organise as soon as possible regular exchanges of necessary and specific information on price movements and comparisons in the member countries.

Member States will aid the Commission in the economic and commercial research required

for the systematic application of Article 86 of the EEC Treaty.

#### V

The success of the measures against inflation depends considerably upon the attitudes of the different economic and social groups. The Council invites them to contribute to its success by considerably moderating their attitude to incomes (industrial and commercial profits, wages, incomes of suppliers of services and farmers, dividends and rents). Member States will, according to the means available to them, take all the necessary measures to achieve this result without delay.

#### VI

The Council is of the opinion that the mechanisms of the common agricultural policy, and in particular of the export measures, helps to shield the consumer from appreciable price rises on the world market in respect of a large number of products, particularly for cereals (including rice), and sugar.

The Council supports the Commission's intention to submit proposals fixing prices for the 1974/75 marketing year which will be compatible with the general policy of the Community in measures against inflation. The Council will ensure that this requirement of compatibility is met.

#### VII

The Member States will review the quantitative restrictions now applied to imports of certain products from third countries with a view to their relaxation, thereby increasing supplies of those products. The Council hopes that any consultations opened pursuant to Council Decision of 19 December 1972 laying down certain transitional measures for the progressive standardisation of import terms of Member States as regards third countries <sup>(1)</sup> will be conducted as quickly as possible. The Member States will facilitate the widest possible utilisation of quotas during the first half of 1974.

<sup>1</sup> OJ No L 299 31.12.1972/ p. 46.

Before 31 December 1973 the Council will rule on the proposals which have been made by the Commission with regard to the implementation, for 1974, of generalised tariff preferences in favour of the developing countries.

## VIII

The Council will examine the results of this programme of action at the latest at its meeting for the review of the economic situation in the Community which is scheduled for March 1974.

